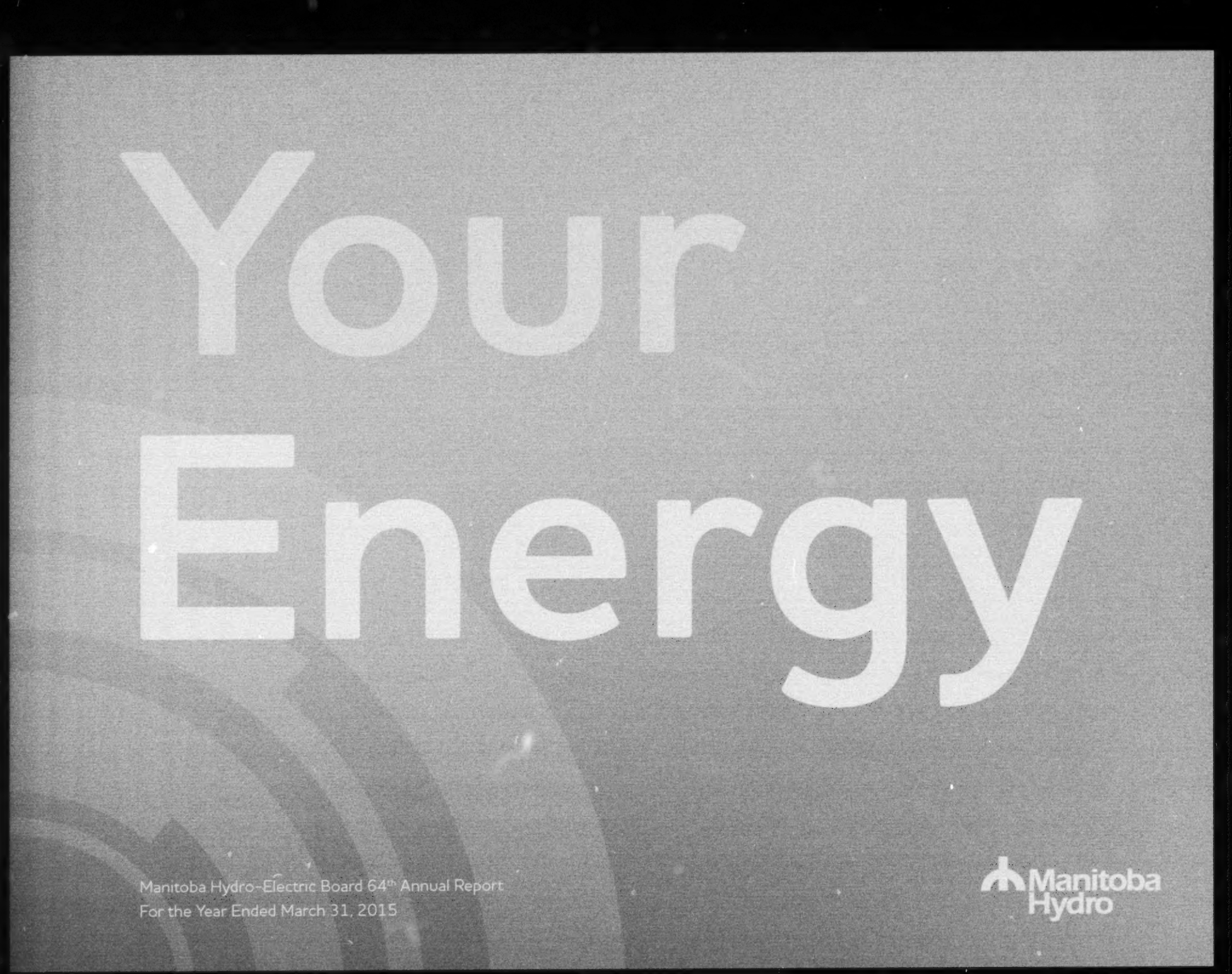

Manitoba Hydro-Electric Board 64th Annual Report
For the Year Ended March 31, 2015

Manitoba Hydro

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July 31, 2015

Honourable Eric Robinson
Minister charged with the administration of the Manitoba Hydro Act
Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Minister:

I have the honour of presenting the 64th Annual Report of The Manitoba Hydro-Electric Board, together with the financial statements, for the fiscal year ended March 31, 2015.

The well-being and prosperity of this province is directly linked to an abundant and reliable supply of energy. That is why the Manitoba Hydro-Electric Board was created over 60 years ago and why the corporation has created a strategy for continuing to provide that energy to all Manitobans. Progress achieved this past fiscal year on projects to develop new sources of energy and strengthen reliability reflects the commitment of the leadership team and the dedication of employees to delivering on this strategy.

In July, the Province of Manitoba issued an Environmental Act License and authorized construction of the Keeyask Generating Station. The license and approval followed extensive environmental and economic reviews of the project by the Clean Environment Commission and the Manitoba Public Utilities Board. The 695-megawatt hydroelectric generating station is the sixth to be constructed on the Nelson River and, when completed in 2020, will be the fourth largest in the province. It also continues a very different approach to hydroelectric projects than was taken in the past — one that acknowledges the unique connection of Aboriginal communities to the land and water, and engages those communities in work to reduce impacts and create local benefits.

The Keeyask Project is a partnership among four First Nations — Tataskweyak Cree Nation, War Lake First Nation, Fox Lake Cree Nation, York Factory First Nation — and Manitoba Hydro. These parties worked together for over a decade to negotiate partnership arrangements, undertake environmental studies and prepare an environmental impact statement that used Aboriginal Traditional Knowledge alongside conventional science to provide a better understanding of project impacts. Now, the partner communities are benefitting from training, employment and business opportunities created by the project.

The final report by the Public Utilities Board also recognized the value of the proposed Manitoba-Minnesota Transmission Project, a new transmission interconnection to the United States. Originating at the Dorsey Converter Station and running to the U.S. border near Piney, the new line will connect to the Great Northern Transmission Line, which is being constructed by Minnesota Power. We made good progress in 2014-15 and, at the end of the fiscal year, we were consulting the public on a preferred route. We expect to file the project's environmental impact statement in the summer of 2015.

The new line will increase transmission capacity to southern markets by 883 megawatts, supporting additional export electricity sales. Manitoba Hydro has signed export sale contracts worth $9 billion, over $5 billion as a result of the Keeyask Project. These exports will help keep rates lower than they would otherwise be for Manitoba electricity customers. Additional contracts finalized this past year included a 25-megawatt power sale

to SaskPower which, combined with a previous short-term sale between the utilities, will be worth over $100 million.

The Manitoba-Minnesota Transmission Project will also more than double Manitoba Hydro's ability to import electricity, improving access to alternate sources of supply in the event of an emergency outage or extreme drought. Another project helping to strengthen the reliability of this import capability is the Riel Terminal Station. Energized in October, this new station reduces dependence on the existing terminal station at Dorsey, creating a second point where electricity imported from the U.S. on an existing transmission interconnection can be introduced into the province's transmission network.

Also critical to the reliability of Manitoba's electricity supply is the transmission connection between our hydroelectric generating stations in the north and customers in southern markets. To reduce dependence on the existing high voltage direct current system, which carries over 70 per cent of our generating capacity, Manitoba Hydro is building the Bipole III transmission line and converter stations. This past fiscal year saw a number of milestones including completion of site preparation for the Keewatinohk Converter Station and awarding of the contract for the design, supply and installation of high voltage direct current equipment and buildings at the project's two converter stations.

Manitoba Hydro continues efforts to strengthen relations with Aboriginal communities impacted by past hydroelectric developments. In particular, the corporation joined the Province of Manitoba and Pimicikamak Okimawin/Cross Lake in signing a formal process agreement last fall that created a framework for discussion on the continued implementation of the Northern Flood Agreement. The community remains the only First Nation signatory to the Northern Flood Agreement without a supplemental clarifying agreement.

As a board, we work closely with management to ensure strategic objectives are aligned with our mandate for meeting the energy needs of the province and that we are making the appropriate investments in people and technology to meet those objectives. I want to thank all board members for their efforts in providing this oversight. I also want to thank the leadership and employees of Manitoba Hydro for their contribution to the successes of the past year.

Respectfully submitted,

William C. Fraser, FCA
Chair
Manitoba Hydro-Electric Board

CORPORATE PROFILE

Manitoba Hydro is a provincial Crown corporation and one of the largest integrated electricity and natural gas distribution utilities in Canada. We are a leader in providing renewable electricity and clean-burning natural gas. Our Power Smart* programs help Manitoba residents and businesses conserve energy and lower their energy costs.

We also trade electricity within three wholesale markets in the Midwestern United States and Canada. Nearly all of the electricity Manitoba Hydro produces each year is renewable hydro power generated using the province's abundant water resources. Our export of electricity helps keep our domestic rates low and displaces greenhouse emissions in markets where fossil fuels are used for electricity production.

VISION

To be recognized as a leading utility in North America with respect to safety, reliability, rates, customer satisfaction and environmental leadership.

MISSION

To provide for the continuance of a supply of energy to meet the needs of the province and to promote economy and efficiency in the development, generation, transmission, distribution, supply and end-use of energy.

*Manitoba Hydro is a licensee of the Trademark and Official Mark.

At a glance

650,000
Our service area in km²

561,869
Number of electricity customers

274,817
Number of natural gas customers

5,701
megawatts
Total electricity capability

81%
hydroelectric

17*
Number of generating stations

76,000
Kilometres of distribution lines

13,000
Kilometres of transmission lines

We serve nearly **100** communities

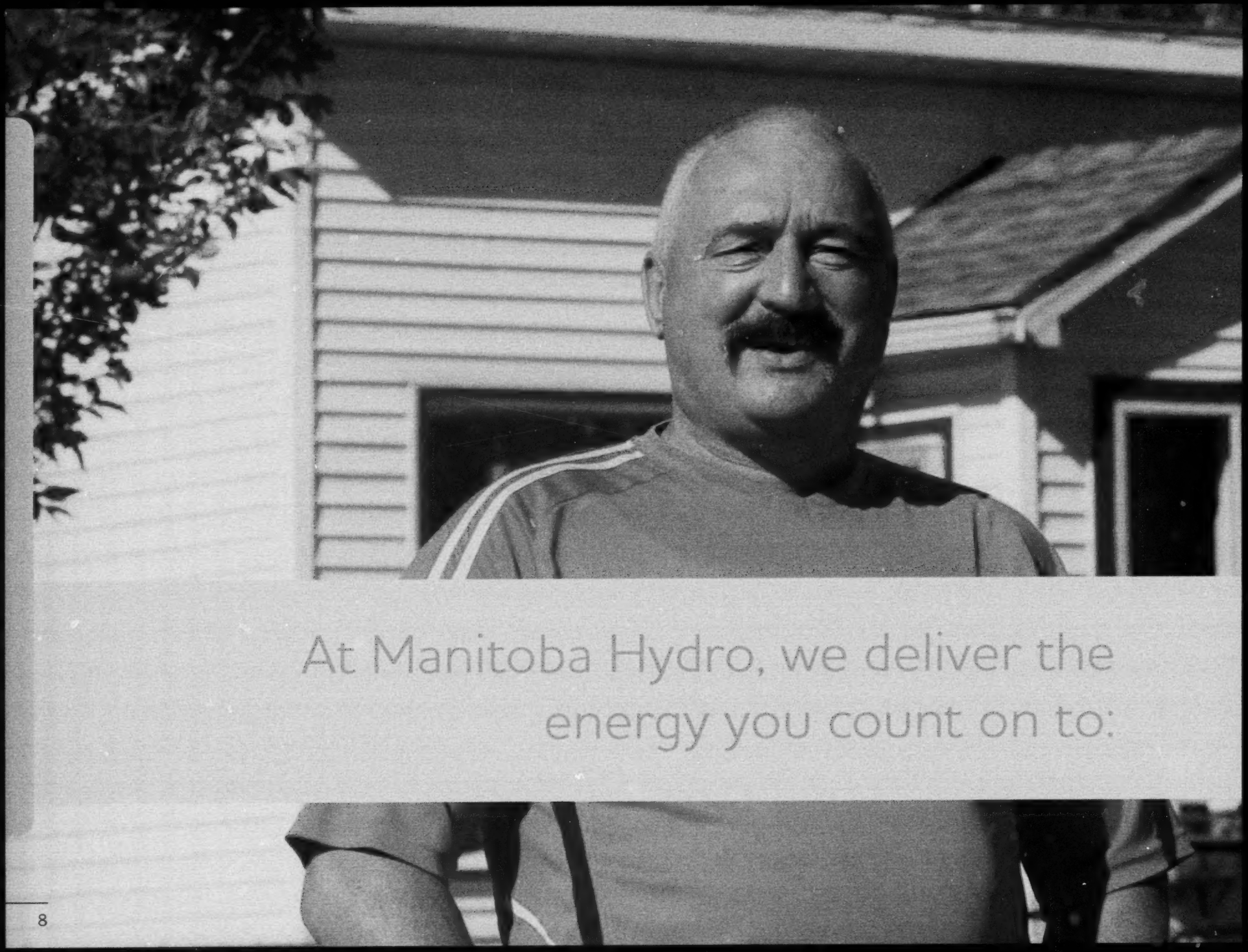
9,700
Kilometres of natural gas lines

$17.6
billion
Cost of assets in-service

6,483
Total number of full-time employees

Nearly **1 in 5** employees are Aboriginal

*The Wuskwatim Generating Station is owned by the Wuskwatim Power Limited Partnership, a partnership involving Nisichawayasihk Cree Nation and Manitoba Hydro.



At Manitoba Hydro, we deliver the energy you count on to:

...Create a comfortable home.

Jnnifer

...Turn opportunities into results.

...Support your community.

Your Energy

As a customer of Manitoba Hydro, you count on us to deliver the energy you need to live your life. We know this and it drives us in everything we do. It's why we take so much pride in delivering our products and services safely, reliably and affordably. It's why we always look forward, anticipating our customers' needs and expectations.

The energy system we all count on in Manitoba is a product of foresight and timely investments by previous generations — the first hydroelectric development on the Winnipeg River early in the last century, the Farm Electrification program after World War II and the move north to develop the potential of the Nelson River in the 1960s. Today, we are once again investing in our future. The province is growing and so is the demand for energy. Our system is aging, much of it nearing the end of its service life or already operating beyond capacity. Manitoba Hydro is working for you to meet these challenges.

We have begun construction of the new Keeyask Generating Station, which will add 695 megawatts to our supply. We are building the Bipole III Project, which will strengthen the reliability of our connections to northern generating stations. We are active across the province renewing and expanding our system — rebuilding manholes in downtown Winnipeg, planning a new distribution supply centre in Winkler, expanding a transmission station near Thompson, increasing the natural gas supply to Stonewall and Selkirk, and replacing draft tube liners at the Great Falls Generating Station near Lac du Bonnet to name just a few examples. Over the past fiscal year, we've invested nearly $2 billion to build and maintain our system and we expect to invest about $17 billion more over the next 10 years.

Manitoba Hydro is financially and operationally positioned to make these investments. We have a plan and we have the people to meet these challenges successfully — ensuring

$1,060
million

Amount invested to build and maintain generation system

$845
million

Amount invested to build and maintain delivery system

Manitoba Hydro continues to reliably, safely and affordably deliver your energy.

A balanced approach

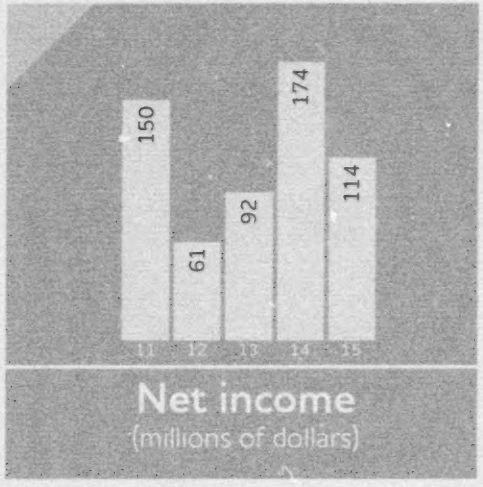
Our plan balances the need for predictable and reasonable rates, with

the need to preserve the financial integrity of the corporation. We will fund most of the required investment through borrowed money, which is possible because of Manitoba Hydro's current financial position. Retained earnings grew to $2.8 billion at the end of the 2014-15 fiscal year, thanks to $114 million in net income.

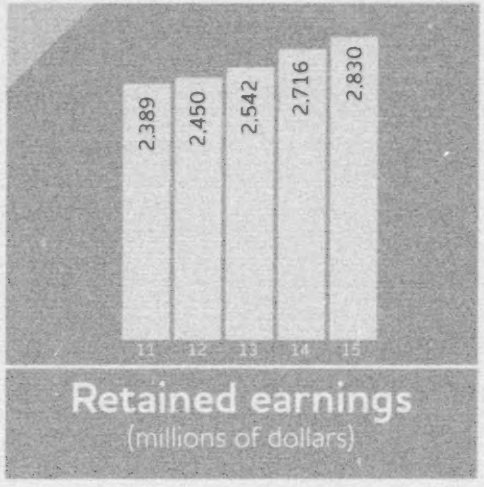
Still, borrowing all the money to fund investments in our system would dramatically weaken Manitoba Hydro's financial position, eroding our reserves and leaving customers exposed to sharp rate increases in the event of a prolonged drought or catastrophic outage. To maintain the corporation's strength and shield our customers from this risk, we must fund a portion of this investment through earnings. As a Crown corporation, Manitoba Hydro has only two options to increase revenue — export sales of electricity or the rates we charge our customers.

Historically, export sales have been an important part of our revenues, contributing over $5 billion in the last 10 years. But these revenues have declined recently, as growing demand in Manitoba reduces the amount of electricity available for export and a softer short-term market lowers energy prices. In fact, the slow recovery in the U.S. economy, an abundant North American supply of natural gas and ongoing challenges to carbon pricing make it likely that export revenues will remain significantly below what we earned prior to 2008-09 for the foreseeable future.

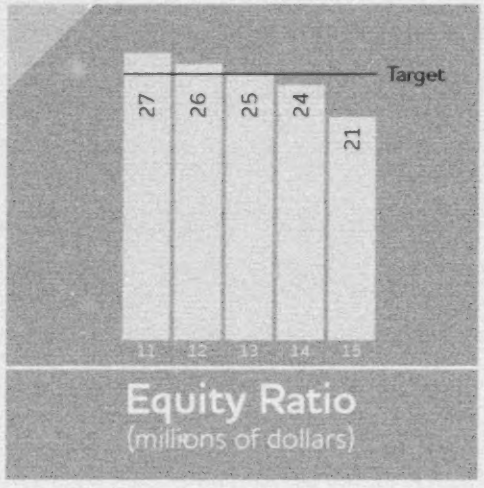
The other lever available to us is the revenue from Manitoba customers. We recognize that rate increases can be difficult, particularly for those on fixed incomes or of modest means. That is why our plan calls for reasonable and predictable increases of 3.95 per cent



Net income
(millions of dollars)



Retained earnings
(millions of dollars)



Equity Ratio
(millions of dollars)

per year over the next decade. That's an increase of approximately $3 per month in 2015 for the average electricity customer without electric heat, and $6 per month for customers with electric heat. These increases are the minimum necessary to support needed investment in infrastructure, to preserve the financial integrity of the corporation and to protect our customers against much higher rate increases in the future.

Controlling our costs

We aren't asking you to pay more without also tightening our own belt, finding innovative ways to control our costs without compromising our ability to deliver safe and reliable service. For example, over 75 per cent of our operating costs are comprised of wages and benefits. Manitoba Hydro has committed to reducing our employee numbers by over 300 positions through attrition by 2016-17, resulting in annual savings of approximately $30 million. This allows us to keep growth in operating costs well below the cost of inflation. In fact, we forecast only one per cent growth in operating costs through to 2021-22.

We have also initiated a multi-year program to review and improve our supply chain performance. The initial phase identified opportunities to reduce costs and increase operational efficiencies in our materials management, fleet services and purchasing groups. In purchasing, for example, our objective is to generate substantial cost reductions by adopting stronger category management practices. One early win was a recent review of stationary purchased across Manitoba Hydro that found we could reduce the variety of envelopes to a few standard types, saving nearly $400,000 over the next five years. In materials management, we identified opportunities to reduce our average inventory levels for select, frequently used materials, without compromising service levels. As a result, we intend to reduce our inventory investment by approximately $3 million over the next six months, lowering our inventory carrying costs by approximately $400,000 annually. We expect to identify and act on many more savings opportunities through the course of this program.

Investing in efficiency

Manitoba Hydro is also investing over $1 billion in aggressive demand side management to meet future energy demand and help our customers reduce their energy bills. Our Power Smart plan

$43
million

Investment in Power Smart programs

$113
million

Reduction in customer costs through Power Smart

2.73
billion kilowatt hours

Cumulative Power Smart electricity savings

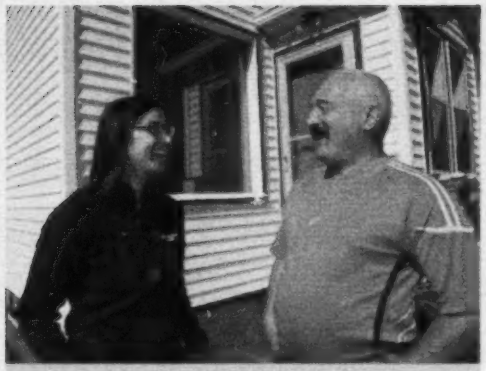
105.6
million cubic metres

Cumulative Power Smart natural gas savings

will reduce projected load growth by two-thirds. It targets an additonal 1,136 megawatts of electric capacity savings, by 2029, twice the capacity of all of the generating stations on the Winnipeg River and 3,978 gigawatt-hours of electricity savings, equal to the energy used by 150,000 electrically heated homes in a year. The plan also targets an additonal 108 million cubic metres of natural gas savings over the same period, equivalent to the annual consumption of 43,000 gas-heated homes. We will achieve these targets using incentive-based programs, education, research, support for changes to building codes and standards, rate initiatives and innovative community partnerships.

While Manitoba Hydro offers a wide range of Power Smart programs, we recognize it can be difficult for some customers to participate. So, we've customized our approach. Partnering with Aboriginal communities, such as Peguis First Nation and Fisher River Cree Nation, we are making energy efficiency and its benefits more accessible to their residents. AKI Energy, an Aboriginal social

Working with Manitoba Hydro's Power Smart programs and employees such as Jennifer Danowski, left, Chief Peguis Construction has grown to become one of the largest geothermal installers in Canada says manager, Glen Cochrane. "In only three years, we've installed over 100 geothermal systems at Peguis First Nation and built 75 new homes and two commercial buildings," said Glen. "This work was all done by our local people."



When Marek Domagalski, right, set to renovating his new home Manitoba Hydro was there. Working with Colleen Galbraith from Manitoba Hydro's Affordable Energy Program, Marek financed a new furnace and insulation for the attic and basement. "Before, the basement was very cold. I would turn the furnace up to 35 degrees in the winter and it was still 10 degrees in the basement," said Marek. "Now, it's good. It's very comfortable."

enterprise, is promoting and delivering the Community Geothermal Program at Peguis and Fisher River as well as piloting a new Solar Thermal Hot Water Program at Peguis. They also promote training to community members for installation and maintenance of these systems. Manitoba Hydro's Pay As You Save Program removes the upfront cost, allowing residents to finance the installation over 20 years using the savings on their energy bills. As a result of this collaboration there are now 100 geothermal systems at Peguis and over 120 at Fisher River. Over 40 members of the two communities have received training on installation and maintenance.

Manitoba Hydro is also partnering with community organizations in Winnipeg's North-end and in Brandon to promote the Power Smart Affordable Energy Program. Going door-to-door, these organizations offer qualifying homeowners and landlords free insulation, free energy-saving items such as LED light bulbs and upgrades to a high-efficiency natural gas furnace, for as little as $9.50 per month. As a result of these and other outreach activities, more than 10,000 customers across Manitoba with limited incomes have made energy efficient upgrades that may have been out of reach, improving the comfort of their home and saving money on their energy bill.

Enhancing service

Another way Manitoba Hydro works to help you get more value from your energy is by leveraging technology to improve our service. As anyone who has called Manitoba Hydro for a line locate will know, we required someone to be home, and wait times during construction season could run three days or more. Now, we've developed an electronic process that starts with your request and ends with an email that includes a clearance form, an electronic map of the area with hazards identified and links to every safe excavation practice that needs to be followed. And, it all happens on the same business day. Further, recent changes to the regulation governing gas pipeline excavation means you no longer have to sign for the locate, removing the need for you to be home. This new line locate process was successfully piloted in Winnipeg and

Brad Kirkpatrick, right, is part of a specialized team created by Manitoba Hydro to serve the dynamic needs of oil industry customers in the southwestern corner of the province. "In this industry, there are many moving parts," said Jennifer Abel, senior facility engineer for Tundra Oil & Gas Partnership. "Manitoba Hydro's responsiveness factors into Tundra being able to do our work safely and effectively. The improved two-way communication between Hydro and our company over the last two to three years shows Manitoba Hydro is willing to work with us today to provide for our needs and listen to our feedback to plan for our future needs."

Selkirk earlier this year and will be rolled out across the province through 2015.

Innovative use of technology also allowed us to improve service to the oil and natural gas industry in southwestern Manitoba. The dramatic growth of exploration and extraction activity in recent years strained our ability to extend electricity lines where and when the industry needed it. In fact, by early 2012, we were achieving our target in-service dates for oil-field customers only 27 per cent of the time. To address the shortfall, we created a customer service team based in Virden, dedicated to meeting the needs of the oil and natural gas industry. We also reviewed all our processes and tools. The result was the creation of a unique electronic work order registry that captures all critical job steps and gives everyone involved access to the information they need to plan work effectively. By the fall of 2014, we were meeting our target in-service dates over 85 per cent of the time, helping the oil and natural gas industry get the cost-effective electricity they need with fewer delays.

Manitoba Hydro also began testing 200 intelligent fault current indicators on our distribution lines this past fiscal year. These indicators report faults using a secure cellular network, as well as provide information on momentary outages, voltage sags or swells, and hourly load readings. This information could help reduce the time it takes to locate and isolate a fault on our system — especially underground — coordinate loads in areas of congestion and identify proactive maintenance opportunities.

Contributing to prosperity

While we work to serve your electricity and natural gas needs, Manitoba Hydro is always seeking ways to contribute to our province that go beyond energy. One way we do this is by structuring our employment and training programs, as well as work packages, on our major projects to provide opportunities to nearby communities. Since work began on the Keeyask Project, there have been over 3,465 project hires, over 1,450 of whom are from northern Manitoba, with almost 900 coming from

the communities of Tataskweyak Cree Nation, War Lake First Nation, York Factory First Nation and Fox Lake Cree Nation. Businesses from these communities have also negotiated contracts worth more than $450 million to provide services to the project ranging from camp maintenance to heavy civil construction.

$1.1
billion

Value of contracts to Manitoba companies

$184
million

Value of contracts to Manitoba Aboriginal companies

Similarly, clearing work for the Bipole III Project is being done primarily through direct negotiated contracts with various Aboriginal communities along the route. Manitoba Hydro is also incorporating local environmental knowledge from Aboriginal communities during construction of Bipole III, funding qualified individuals to work as environmental monitors. The monitors work with environmental inspectors during construction and collect information in support of our biophysical and socio-economic monitoring. We have also funded community liaison positions to allow in-vicinity Aboriginal communities to have one of their own members on-site to observe construction and then report back on progress and environmental protection. Manitoba Hydro has partnered with the provincial government and several industry, education and training partners to create the Northern Construction Trades Training Pilot Program. The program aims to increase the number of qualified northern Aboriginal trades people in the labour market by providing access to apprenticeship training and work experience in those industries where the skills are needed. The pilot will see up to 36 northerners hired and paid as apprentices. It will also provide valuable information that can be used to develop future initiatives.

Protecting our people

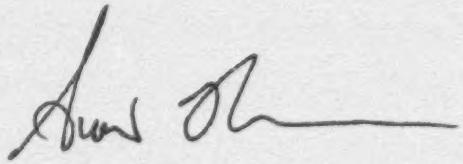
Whether it's trainees, contractors, customers or employees, promoting safety at work and around our facilities is Manitoba Hydro's foremost goal. There's no question that the work we do presents many hazards. Yet, Manitoba Hydro is currently enjoying the best safety results in over 15 years. This can be attributed to a culture of safety among our employees and a system of safety policies and procedures that is, in my opinion, second to none. The system includes job planning, work site visits, employee orientation and safety training. It minimizes risk and protects lives. Recently, I had an opportunity to see the effectiveness of job planning first hand when I visited our crews working to rebuild manholes in downtown Winnipeg. I was impressed with how methodical the planning was, the attention our employees paid to every detail and the approach taken to

assessing the risk. During the next year, all members of our executive team will make regular work site visits to show our support for effective job planning and our commitment to a safe work place. Nothing is more important than protecting the public and ensuring our employees go home safe at the end of every day.

Powering a bright future

This spring, Statistics Canada released data showing Manitoba posted year-over-year job growth in 2014-15 that was higher than any other province. The unemployment rate in March was the second lowest in the country, behind only Saskatchewan, and our economy continues to be among the leaders in real GDP growth. People are moving to the province and helping to increase the population by about one per cent per year. In short, Manitoba is growing and our energy system must grow with it. Timely investments are needed to renew aging infrastructure and ensure an adequate supply of clean, renewable electricity and clean-burning natural gas exists to fuel our province's prosperity.

Manitoba Hydro is making these investments responsibly, balancing the need for reasonable rates with the need to preserve the financial strength of the corporation. Our team of skilled women and men are working hard to serve the energy needs of the province and I am thankful for the dedication to our customers that they demonstrate each and every day. We are developing innovative approaches to promoting energy efficiency and improving customer service. We are working to deliver your energy reliably, safely and affordably — today and tomorrow.



Scott A. Thomson, CA
President and Chief Executive Officer
Manitoba Hydro

Targets, results & priorities

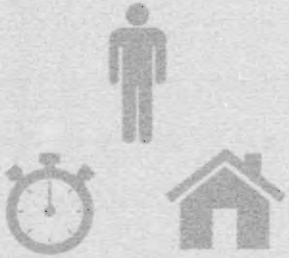
SAFETY IN THE WORKPLACE

Promoting safety in the workplace and in the actions of the public around our facilities remains Manitoba Hydro's top priority. We are committed to continuously improving safety performance and focusing on strategies to instill a safety and health culture in all corporate activities. In doing so, we intend to maintain a steady decline in both workplace accident severity and frequency rates.

MEASURE	TARGET	PERFORMANCE
Accident severity rate (days per 200 000 hours worked)	<12	6.6
Accident frequency rate (accidents per 200 000 hours worked)	<0.6	0.4
Serious incidents	0	5

CUSTOMER VALUE

Providing excellent customer service, high system reliability and affordable rates drives us in everything we do. Manitoba Hydro is a leader in promoting conservation, providing numerous Power Smart programs to assist our customers in meeting their energy needs.



MEASURE	TARGET	PERFORMANCE
System average interruption duration (minutes per year)	<116	132
System average interruption frequency (outages per year)	<1.4	1.68
Customer satisfaction	>8.4/10	8.07

FINANCIAL STRENGTH

Maintaining the financial strength of the corporation is essential to making the investments in infrastructure needed to continue providing safe and reliable service to our customers, financially withstanding the risks and uncertainties that are inherent in Manitoba Hydro's operations and to providing customers with long-term rate stability and predictability. We are committed to carefully managing costs and utilizing resources efficiently and effectively to fulfill our mandate and provide maximum value to our stakeholders and ratepayers.

MEASURE	TARGET	PERFORMANCE
Debt:equity ratio	75:25	79:21
Interest coverage	>1.20	1.17
Capital coverage	>1.20	1.10

WORKFORCE MANAGEMENT & ABORIGINAL RELATIONS

Attracting, developing and retaining a highly skilled and motivated workforce that reflects the demographics of Manitoba is critical to our success. Engaging impacted Aboriginal communities in a positive way is vital to enhancing working relationships. We continue to place emphasis on addressing the adverse effects of our operations, fostering an appreciation of Aboriginal culture, developing and maintaining business relationships, providing opportunities in future development projects and implementing initiatives to recruit, develop and retain Aboriginal employees.

MEASURE	TARGET	PERFORMANCE
Women	26%	24.3%
Aboriginal – corporate	16%	17.9%
Aboriginal – northern	45%	45.9%
Persons with disabilities	6%	9.5%
Visible minorities	7%	7.9%

PROTECTING THE ENVIRONMENT

Protecting the environment is an integral part of everything we do. Manitoba Hydro integrates environmentally responsible practices into all aspects of our business. Environmental protection is carried out with dedication to monitoring programs, climate change initiatives, and environmental research and development.

MEASURE	TARGET	PERFORMANCE
Electricity generated in Manitoba	≥99%	99.6%
Total annual GHG emissions	≤520 kt	147 kt
Repeat environmental audit findings	0 repeat findings	1

DEMAND SIDE MANAGEMENT

Demand side management plays a key role in meeting Manitoba's future energy needs in a sustainable manner as the province's population and economy continues to grow. Our efforts assist customers in using energy more efficiently and result in overall lower energy bills.

MEASURE	TARGET	PERFORMANCE
Annual incremental electric energy saved	363 GWh	281 GWh
Electric capacity saved annually	243 MW	217 MW
Natural gas energy saved annually	10 million cubic metres	12.6 million cubic metres

Roles and Responsibilities

The affairs of Manitoba Hydro are overseen by a board whose members are appointed by the Lieutenant Governor in Council of Manitoba.

The board's primary responsibility is to ensure that the corporation carries out its legislative mandate. The board considers the principles of sustainable development, and Manitoba Hydro's code of ethics, in its decisions. Minutes of board meetings are public, and the corporation's annual report and quarterly financial statements are tabled in the Manitoba Legislature. The annual report is approved by a committee of the legislature. The mandate of the corporation is reviewed by the Crown Corporations Council. A detailed description of the role and responsibilities of the board is set out in the Terms of Reference for the Manitoba Hydro-Electric Board, which can be found at www.hydro.mb.ca/corporate/terms_of_reference.shtml.

The Audit Committee reviews Manitoba Hydro's integrated financial forecast and makes recommendations to the board. The Audit Committee reviews whether Manitoba Hydro's quarterly and annual financial statements present fairly the financial position and performance in accordance with generally accepted accounting principles. The Audit Committee confirms whether management has assessed areas of potential significant financial and operational risk and has taken appropriate measures, and the Audit Committee reviews management's systems for ensuring legal compliance. The Audit Committee obtains opinions from external auditors, internal auditors, and management on the quality of internal controls, and verifies that external auditors have performed their duties with sufficient independence from management.

The Human Resources and Governance Committee assists the board with succession planning and human resources issues. The committee reviews the board's approach to corporate governance with a view to best practices and Manitoba Hydro's mandate.

The Aboriginal Task Force is tasked with conducting a confidential review with a view to developing a more conciliatory relationship with Aboriginal partners, employees and communities.

All of the members of the board sit as the Planning Committee, which approves the corporate strategic plan.

2014/15 Highlights

The board approved enhancements to the corporate strategic planning process, including the following:

- Every three years the board approves an updated corporate strategic plan (CSP), unless changes in strategic direction prompt a need for an earlier revision.
- On an annual basis, the board approves targets for the CSP.
- On a quarterly basis, management provides the board with benchmark reports showing the corporation's performance against CSP targets.

The Human Resources and Governance Committee approved revisions to corporate governance practices in a number of areas with a view to ensuring their continued relevance and effectiveness, including the use of conflict of interest declarations, orientation of new board members, and board and committee self-assessments.

The Audit Committee approved an external hotline service for employees to make reports pursuant to the corporation's Integrity Program. The external hotline supplements existing internal mechanisms where employees can report concerns.

Integrity Program

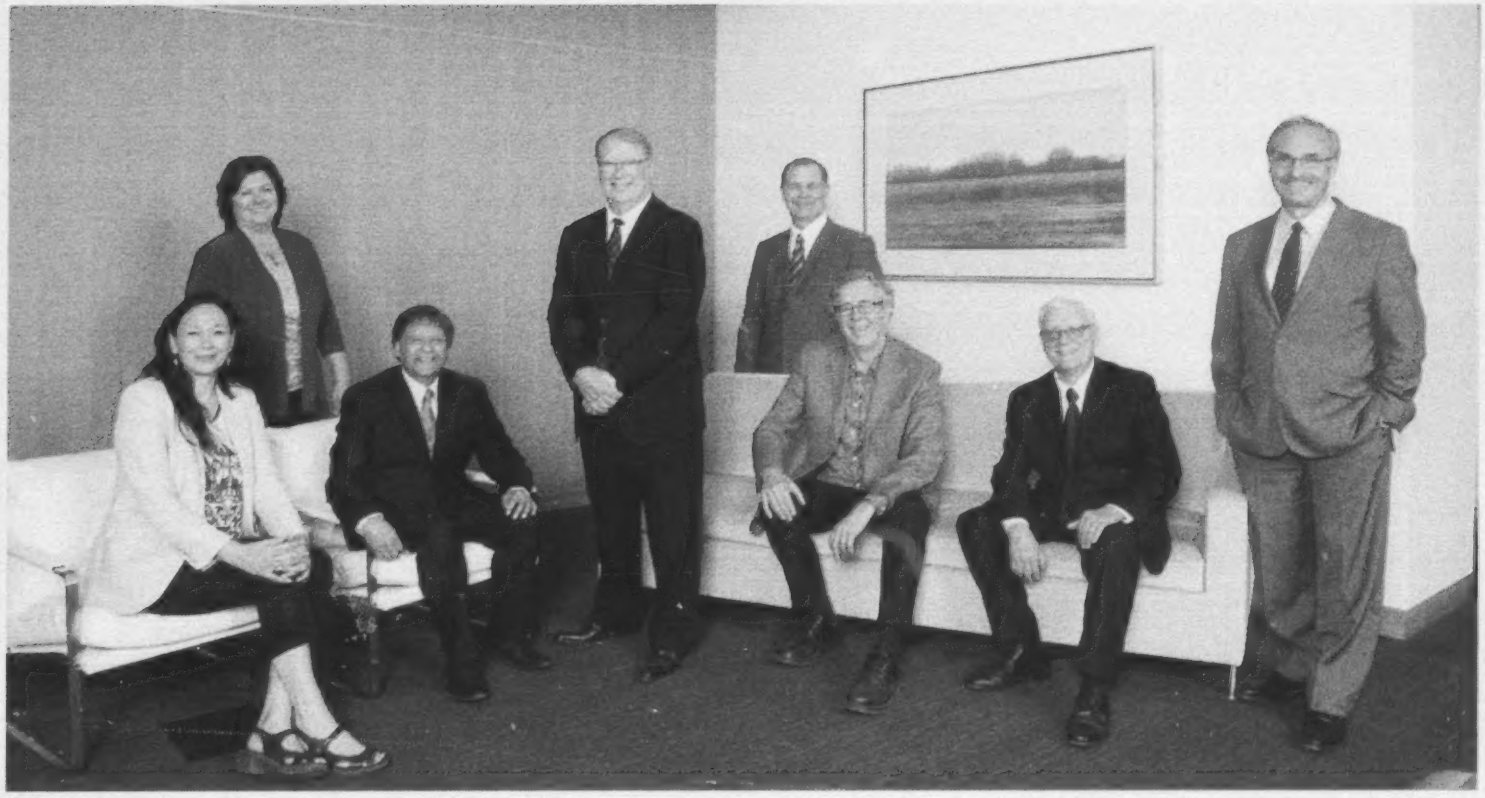
Manitoba Hydro encourages employees and others to speak up on matters of concern without fear of reprisal, through its Integrity Program. All disclosures under the Integrity Program are protected by strict rules of confidentiality.

Below is a summary of all disclosures received during 2014-15 which allege wrongdoing as defined in The Public Interest Disclosure (Whistleblower Protection) Act:

Total number of disclosures received:	0
Number of disclosures ongoing from 2013-14:	4
Number of disclosures acted upon:	4
Number of disclosures not acted upon:	0
Number of investigations commenced/continued:	4
Number of disclosures that were verified:	1
Number of disclosures that were not verified:	3
Number of disclosures carried forward to 2015-16:	0

Corrective action was taken for the verified incident, as follows:

- Reorganized the management structure to address failure to hold a contractor accountable to comply with safety rules.



Appearing from left to right:

Tina Keeper
Carmen Neufeld
Michael Spence
William C. Fraser, FCA, Chair
Jim Rondeau
Dudley Thompson
Dr. John Loxley
Larry Vickar

Missing from photo:
Eugene Kostyra
David Crate

MANITOBA HYDRO SENIOR OFFICERS

Appearing from left to right:

Siobhan Vinish
Vice-President, Corporate Communications & Public Affairs

Bryan Luce
Vice-President, Human Resources & Corporate Services

Lloyd Kuczek, P. Eng, MBA
Vice-President, Customer Care & Energy Conservation

Darren B. Rainkie, CA, CBV
Vice-President, Finance & Regulatory Affairs
& Chief Financial Officer

E. Ruth Kristjanson, BA (Hons), MA
Vice-President, Corporate Relations

Scott A. Thomson, CA
President & Chief Executive Officer

Lorne Midford, P. Eng
Vice-President, Generation Operations

Shane Mailey, P. Eng
Vice-President, Transmission

Ken M. Tennenhouse, LL.B
Vice-President, General Counsel & Corporate Secretary

G. Brent Reed
Vice-President, Customer Service & Distribution

Angie Adams, P. Eng
Vice-President, Major Capital Projects

By the numbers

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The Management's Discussion and Analysis (MD&A) section of the Annual Report provides comments on the financial results of Manitoba Hydro (the corporation) for the year ended March 31, 2015 with comparative information where applicable. The MD&A also provides an assessment of corporate risks and contains forward-looking statements regarding conditions and events which may affect financial performance in the future. Such forward-looking statements are subject to a number of uncertainties which are likely to cause actual results to differ from those anticipated. For context, the MD&A should be read in conjunction with the consolidated financial statements and notes.

As a provincially-owned Crown corporation, Manitoba Hydro's mandate is to provide for the continuance of a supply of energy to meet the needs of Manitoba consumers in the most reliable, economic, and environmentally sustainable manner.

OVERVIEW

Manitoba Hydro's consolidated net income from electricity and natural gas operations for the fiscal year ended March 31, 2015 was $114 million compared to $174 million in the previous fiscal year. The decrease in net income of $60 million was largely attributable to increased financing expenses.

Consolidated net income for the 2015 fiscal year was comprised of net income of $104 million in the electricity sector and net income of $10 million in the natural gas sector. The gas sector net income represented a $10 million decrease over the previous year which was mainly a result of warmer weather during the winter of 2014-15 compared to the winter of 2013-14.

Consolidated net income for 2014-15 was slightly lower than the forecasted net income of $115 million.

Net income of $114 million contributed to the corporation's retained earnings of $2,830 million at March 31, 2015. The interest coverage ratio was close to the target level while the capital coverage and debt to equity ratios were below the target level for the year.

CONSOLIDATED RESULTS

The following schedule summarizes Manitoba Hydro's consolidated financial results for the fiscal year ended March 31, 2015 compared to the previous fiscal year:

	Electricity		Natural Gas		Consolidated		
	2015	2014	2015	2014	2015	2014	Change
	millions of dollars						
Revenues							
Manitoba (net of cost of gas sold)	1,492	1,475	154	163	1,646	1,638	8
Extraprovincial	400	422	-	-	400	422	(22)
	1,892	1,897	154	163	2,046	2,060	(14)
Expenses	1,799	1,765	144	143	1,943	1,908	35
Net income before non-controlling interest	93	132	10	20	103	152	(49)
Net loss attributable to non-controlling interest	11	22	-	-	11	22	(11)
Net income	104	154	10	20	114	174	(60)
Total assets	16,905	14,950	689	689	17,594	15,639	1,955
Retained earnings	2,758	2,654	72	62	2,830	2,716	114
Financial Ratios							
Debt:Equity					79:21	76:24	
Interest coverage					1.17	1.28	
Capital coverage					1.10	1.35	

Revenues from consolidated electricity and natural gas operations totaled $2,320 million in 2014-15 compared to $2,312 million in the previous fiscal year. After deducting the cost of gas sold, which is a pass-through cost with no mark-up to customers by Manitoba Hydro, revenues amounted to $2,046 million compared to $2,060 million in the prior year. The $14 million or 0.7% decrease in revenues was largely attributable to lower extraprovincial electricity sales and lower natural gas revenues partially offset by higher domestic electricity revenues.

Expenses for electricity and natural gas operations totaled $1,943 million in 2014-15, an increase of $35 million or 1.8% over the previous year. The increase was largely due to a $57 million increase in finance expense, offset by a $15 million decrease in fuel and power purchased and a $6 million decrease in depreciation and amortization expense.

Net loss attributable to non-controlling interest represents Taskinigahp Power Corporation's (TPC) 33% share of the Wuskwatim Power Limited Partnership's (WPLP) operating results for 2014-15. The WPLP has two limited partners, Manitoba Hydro and TPC which is owned beneficially by Nisichawayasihk Cree Nation (NCN) and a General Partner which is a wholly-owned subsidiary of Manitoba Hydro.

Net income from electricity and natural gas operations amounted to $114 million in 2014-15 compared to $174 million in the previous year. The consolidated net income increased retained earnings to $2,830 million at March 31, 2015. As indicated in the accompanying chart, net income of $114 million resulted in the equity ratio being 21% at March 31, 2015, lower than the corporation's target of 25%. It was expected that the equity ratio would be below target due to the significant investment in major new generation and transmission capital which is primarily funded through debt financing. The capital coverage ratio of 1.10 is below the target of 1.20 and the interest coverage ratio of 1.17 was close to the target of 1.20.

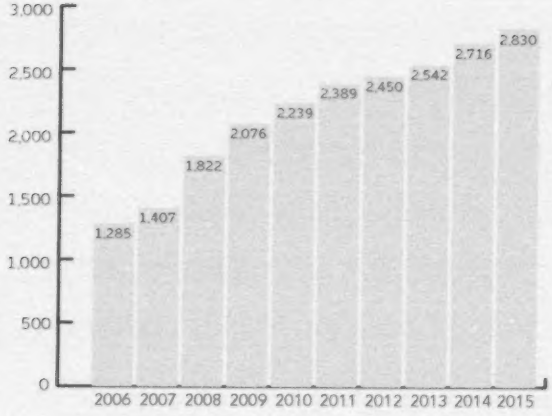
Financing

Cash provided from operations in 2014-15 was $651 million, a decrease of $40 million from the previous year. The change reflects increased financing costs on higher levels of debt and sustained payable balances partially offset by increased receipts from customers.

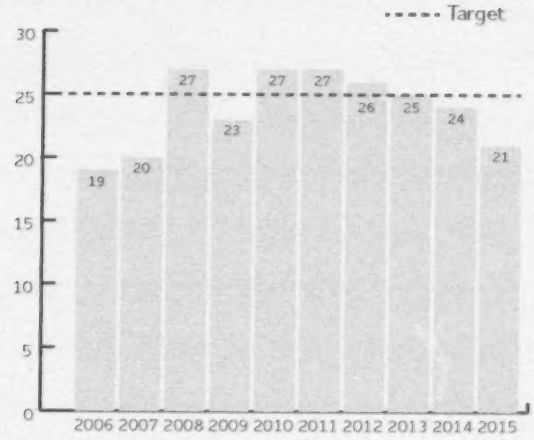
Proceeds from financing arranged by the corporation amounted to $2,210 million in 2014-15 compared to $1,320 million in the previous year. Current year proceeds were used to fund new capital requirements and to retire long-term debt maturing during the year. As a result of the record low financing rates during 2014-15, the corporation was able to issue debt at a weighted average rate of 3.58%.

During 2014-15, the corporation retired $654 million of debt comprised of Provincial Advances of $561 million and HydroBonds of $93 million.

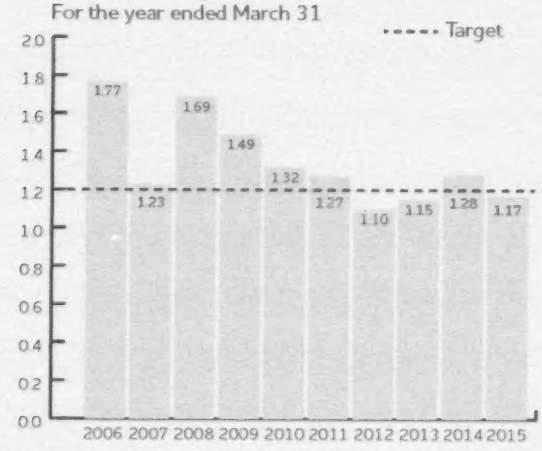
Retained Earnings
For the year ended March 31
millions of dollars



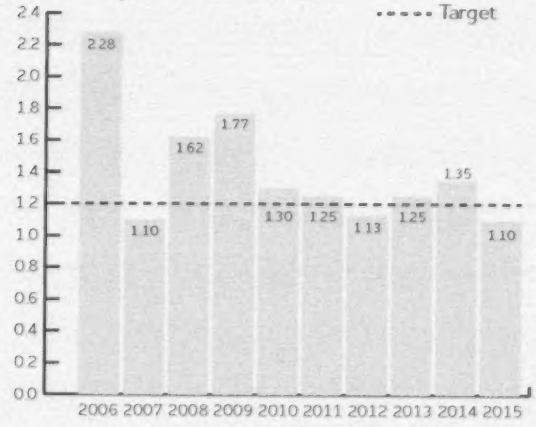
Equity Ratio
For the year ended March 31



Interest Coverage Ratio
For the year ended March 31



Capital Coverage Ratio
For the year ended March 31



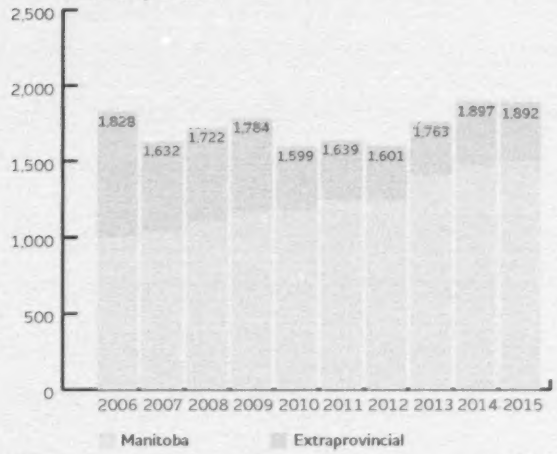
ELECTRICITY OPERATIONS

Electricity Revenues

Electricity revenues totaled $1,892 million, a decrease of $5 million or 0.3% from the previous year. The decrease was the result of a $22 million decrease in extraprovincial revenues partially offset by an increase of $17 million in domestic revenues. The decrease in extraprovincial revenues was primarily due to a reduction in U.S. sales volumes. The increase in domestic revenues was primarily due to rate increases and customer growth partially offset by lower consumption as a result of warmer winter weather compared to the prior year.

The breakdown of electricity revenues by customer segment is as follows:

Electricity Revenues
For the year ended March 31
millions of dollars



Electricity Revenues and kWh Sales
For the year ended March 31

	2015	2014	% change	2015	2014	% change
	millions of dollars			*millions of kWh*		
Manitoba						
Residential	602	606	(0.7)	7,788	7,888	(1.3)
General service	501	497	0.8	7,158	7,254	(1.3)
Industrial	321	302	6.3	7,512	7,196	4.4
Other revenue	68	70	(2.9)	-	-	-
Manitoba revenue	1,492	1,475	1.2	22,458	22,338	0.5
Extraprovincial	400	422	(5.2)	9,811	10,537	(6.9)
	1,892	1,897	(0.3)	32,269	32,875	(1.8)

Revenues from electricity sales in Manitoba totaled $1,492 million in 2014-15, an increase of $17 million from the previous year. Electricity consumption in Manitoba was 22,458 million kilowatt-hours, 120 million kilowatt-hours higher than the previous year. The increase in consumption was mainly due to growth in the industrial sector partially offset by lower heating loads as a result of warmer winter weather in 2014-15 compared to the prior year.

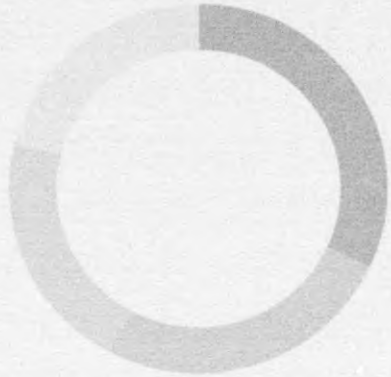
Revenues from sales to residential customers for 2014-15 amounted to $602 million, a decrease of $4 million or 0.7% from the previous year. The decrease was primarily a result of a lower heating load from warmer winter weather partially offset by rate increases implemented during the year and increases in the number of residential customers of 5,621 to 492,275, an increase of 1.2% compared to the previous year.

Revenues from general service customers amounted to $501 million in 2014-15, an increase of $4 million or 0.8% from the previous year. The increase was mainly attributable to the rate increases implemented during the year and an increase of 490 customers.

Revenues from large industrial customers amounted to $321 million, an increase of $19 million or 6.3% from the previous year. The increase was mainly the result of rate increases implemented during the year and an increase in consumption by customers.

Extraprovincial revenues totaled $400 million in 2014-15, a decrease of $22 million from the previous year. The decrease reflects lower U.S. sales volumes due to a U.S. transmission line outage, less arbitrage opportunities, and lower market prices. This was partially offset by favorable foreign exchange rates on U.S. sales. Of the total extraprovincial revenues, $368 million or 92% was derived from the U.S. market, while $32 million or 8% was from sales to Canadian markets.

Electricity Revenues
For the year ended March 31, 2015



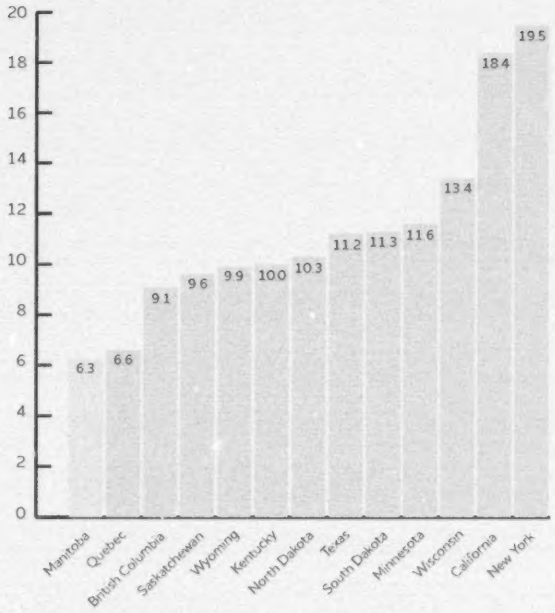
Residential	32%
General service	26%
Extraprovincial	21%
Industrial	17%
Other	4%

Electricity Rates

The Public Utilities Board (PUB) issued Order 49/14 on May 6, 2014, which approved a 2.75% increase in electricity rates effective May 1, 2014 on an interim basis. The PUB directed that 2.00% of the 2.75% increase be included in general revenues and the remaining 0.75% of the interim rate increase be set aside to be utilized to mitigate rate increases when Bipole III is placed in-service. During the 2014-15 fiscal year $30 million was set aside for this purpose, which reflects the 1.5% approved in Order 43/13 effective May 1, 2013 and the 0.75% approved in Order 49/14.

Manitoba Hydro's domestic electricity rates continue to be among the lowest overall in North America. This is illustrated in the accompanying chart which was excerpted from utilities' annual reports and United States Department of Energy and Edison Electric Institute publications.

Average Retail Price of Electricity
cents/kWh (Cdn)



Electricity expenses totaled $1,799 million for 2014-15, an increase of $34 million or 1.9% over the previous year. The increase in expenses was the result of a $57 million increase in finance expense, a $3 million increase in capital and other taxes and a $1 million increase in operating and administrative, partially offset by a $15 million decrease in fuel and power purchased, a $7 million decrease in depreciation and amortization and a $5 million decrease in other expenses.

Electricity Expenses
For the year ended March 31

	2015	2014	% change
	millions of dollars		
Operating and administrative	492	491	0.2
Finance expense	492	435	13.1
Depreciation and amortization	405	412	(1.7)
Water rentals and assessments	125	125	-
Fuel and power purchased	145	160	(9.4)
Capital and other taxes	100	97	3.1
Other expenses	31	36	(13.9)
Corporate allocation	9	9	-
	1,799	1,765	1.9

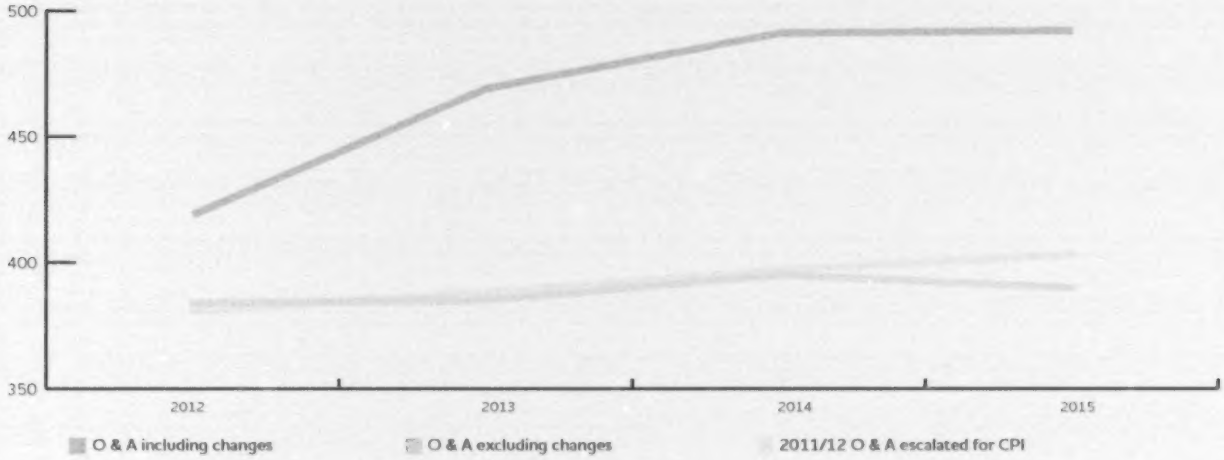
Operating and administrative expenses are comprised primarily of labour, material and overhead costs associated with operating, maintaining and administering the facilities and programs of the corporation. In 2014-15, operating and administrative expenses for electric operations amounted to $492 million, an increase of $1 million over 2013-14.

Manitoba Hydro has been able to limit the increase in operating and administrative costs to 0.2% as a result of its ongoing commitment to carefully manage its costs. The corporation was successful in reducing operational positions in 2014-15 through attrition, the application of technology and the consolidation and elimination of work processes.

The increase of $1 million in operating and administrative costs has been achieved even after considering increased pension and benefit costs primarily resulting from changing discount rates. After adjusting for these changes, operating and administrative expenses decreased for 2014-15 by $2 million or 0.4% as compared to the previous year.

The following graph provides a comparison of the growth in operating and administrative expenses, including and excluding the cumulative effect of prior year accounting changes as well as changes in the pension and benefit costs, as compared to changes in the consumer price index (CPI).

Operating and Administrative (O&A) Expenses
For the year ended March 31
millions of dollars

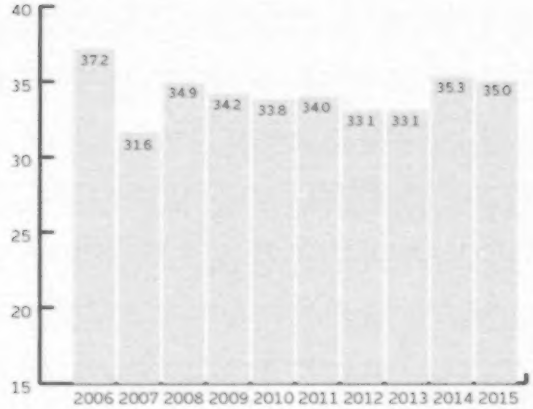


Finance expense totaled $492 million in 2014-15, an increase of $57 million or 13.1% from the previous year. The increase was primarily due to higher volumes of long-term debt to finance capital expenditures, lower realized foreign exchange gains on U.S. debt and lower recognized gains on the sale of U.S. sinking fund investments as compared to the prior year. This was partially offset by lower interest rates.

Depreciation and amortization expense amounted to $405 million in 2014-15, a decrease of $7 million or 1.7% from the previous year. The decrease was mainly attributable to lower depreciation rates partially offset by new additions to plant and equipment coming into service including the Riel Station and the Pointe du Bois spillway replacement. Lower depreciation rates are the result of a depreciation study completed in 2014-15 which adjusted the service lives of assets and resulted in a $25 million decrease in depreciation and amortization.

Water rentals and assessments amounted to $125 million in 2014-15, which is consistent with the previous year. Hydraulic generation amounted to 35.0 billion kilowatt-hours in 2014-15 compared to 35.3 billion kilowatt-hours in 2013-14.

Hydraulic Generation
For the year ended March 31
billions of kWh



Fuel and power purchased includes fuel for the thermal generating stations and remote diesel sites, purchases of wind power from the independently-owned St. Leon and St. Joseph wind farms and from electricity imports. Fuel and power purchased was $145 million in 2014-15, a decrease of $15 million or 9.4% over 2013-14. The decrease in power purchased was primarily the result of lower purchased volumes due to warmer winter weather compared to the previous year partially offset by higher prices and higher transmission charges.

Capital and other taxes amounted to $100 million in 2014-15, an increase of $3 million or 3.1% compared to the previous year. The change was primarily due to increased capital taxes related to additional capital investment.

Other expenses include costs associated with the provision of professional consulting, operations, maintenance and project management services to external entities and other miscellaneous write-offs and expenditures. Other expenses amounted to $31 million in 2014-15, a decrease of $5 million or 13.9% compared to the previous year. The decrease was primarily the result of a write-off of property, plant and equipment under construction in the prior year.

Electricity Expenses
For the year ended March 31, 2015

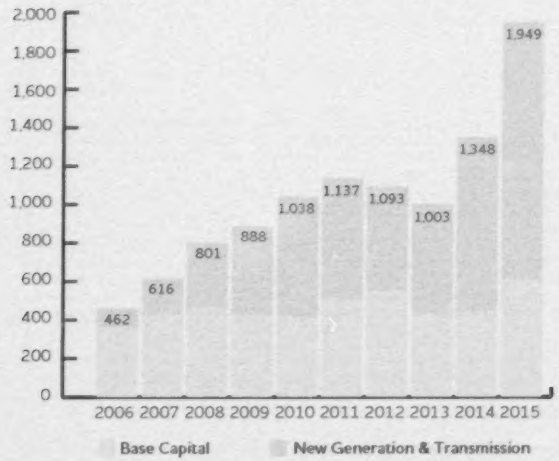
Finance expense	28%
Operating and administrative	27%
Depreciation and amortization	23%
Fuel and power purchased	8%
Water rentals and assessments	7%
Capital and other taxes	5%
Other expenses	2%

Electricity Capital Expenditures

Expenditures for capital construction totaled $1,949 million in 2014-15 compared to $1,348 million during the previous fiscal year. Capital expenditures for ongoing plant and equipment requirements, referred to as base capital, amounted to $609 million, an increase of $165 million compared to the previous year. The increase was attributable to higher expenditures on generating station, substation, distribution and transmission upgrades.

Major new generation and transmission capital expenditures of $1,340 million included $704 million related to the Keeyask generation and transmission facilities, $365 million related to the Bipole III reliability project including the transmission line, converter stations and collector lines, $132 million towards the Pointe du Bois Spillway replacement, generating station rehabilitation and associated transmission, $30 million for the Riel Station, $31 million related to the Wuskwatim Generating Station and transmission line and $12 million for upgrades to the Kelsey Generating Station.

Electricity Capital Expenditures
For the year ended March 31
millions of dollars



NATURAL GAS OPERATIONS

Centra Gas Manitoba Inc. (Centra) is a wholly-owned subsidiary of Manitoba Hydro. Centra distributes natural gas to 249,313 residential and 25,504 commercial and industrial customers in Manitoba.

Net income in the gas sector was $10 million in 2014-15 compared to $20 million in the previous fiscal year. The decrease in net income over the previous year was primarily attributable to lower demand due to warmer weather during the winter of 2014-15 compared to the winter of 2013-14.

Natural Gas Revenues

Revenues from the sale and distribution of natural gas during 2014-15 were $428 million, an increase of $13 million from the previous year. After deducting the cost of gas sold, which is a pass-through cost with no mark-up by Centra, net revenues amounted to $154 million, a decrease of $9 million from 2013-14. The decrease in net revenue was largely due to warmer weather compared to the previous year. Natural gas deliveries were 2,071 million cubic metres in 2014-15 compared to 2,280 million cubic metres in 2013-14.

As directed by the PUB, $3.8 million of revenue from 2014-15 was set aside to continue a program targeted to low-income customers and qualifying seniors on fixed incomes to assist in the replacement of low efficiency furnaces with high efficiency furnaces. At March 31, 2015, there is a remaining balance of $19 million in the Furnace Replacement Program.

Natural Gas Revenues and Deliveries
For the year ended March 31

	2015	2014	% change	2015	2014	% change
	millions of dollars			*millions of cubic metres*		
Residential	213	208	2.4	597	664	(10.1)
Large general service	132	124	6.5	537	603	(10.9)
Small general service	34	31	9.7	109	113	(3.5)
Large commercial & industrial	32	23	39.1	166	156	6.4
Interruptible	11	23	(52.2)	58	92	(37.0)
T-service and other	6	6	-	604	652	(7.4)
	428	415	3.1	2,071	2,280	(9.2)

Natural Gas Rates

In accordance with Centra's quarterly rate-setting methodology, annualized rates for natural gas supplied to residential customers changed during 2014-15 as follows:

- May 1, 2014 4.6% increase
- August 1, 2014 0.8% decrease
- November 1, 2014 5.0% increase
- February 1, 2015 5.5% decrease

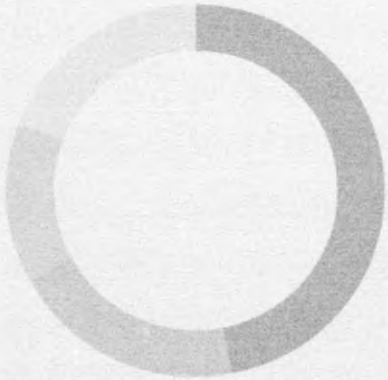
The change in natural gas rates reflects the fluctuations in pricing for natural gas purchased by Centra. Centra did not apply to the PUB for a general rate increase related to non-gas costs in 2014-15.

Natural gas prices have been declining since 2009 and while there have been price increases this year, the average bill is still low relative to 10 years ago. Manitoba Hydro's natural gas customers have benefited as a result. The total annual natural gas bill for a typical residential customer in Manitoba in 2014-15 was 12% lower than in 2005.

Natural Gas Expenses

Expenses attributable to the natural gas operations, excluding cost of gas sold amounted to $144 million in 2014-15, which was $1 million higher than the previous year primarily due to an increase of $1 million in depreciation and amortization. The increase in depreciation is due to new additions to plant and equipment coming into service, partially offset by lower depreciation rates as a result of a depreciation study completed in 2014-15.

Natural Gas Expenses
For the year ended March 31, 2015



Operating and administrative	47%
Depreciation and amortization	20%
Capital and other taxes	14%
Finance expenses	11%
Corporate allocation	8%

Centra purchased 912 million cubic metres of natural gas based on monthly Alberta indexed pricing, 285 million cubic metres under daily Alberta indexed pricing and 217 million cubic metres from a number of other supply sources. Centra also delivered natural gas on behalf of brokers to 15,875 (2014 - 15,703) customers receiving natural gas under Direct Purchase arrangements.

Centra offers a fixed rate service for primary natural gas supply which allows customers to fix their natural gas rates for terms of up to five years. The fixed rate service is offered to residential and commercial customers. At March 31, 2015 there were 209 customers (2014 - 305 customers) on Centra's fixed rate service. Total natural gas deliveries under this service were 3.0 million cubic metres (2014 - 6.0 million cubic metres).

Natural Gas Expenses
For the year ended March 31

	2015	2014	% change
	millions of dollars		
Operating and administrative	67	67	-
Finance expense	16	16	-
Depreciation and amortization	29	28	3.6
Capital and other taxes	20	20	-
Corporate allocation	12	12	-
	144	143	0.7

Natural Gas Capital Expenditures

Capital expenditures in the natural gas sector were $31 million in 2014-15 compared to $35 million in the previous fiscal year. The capital expenditure program relates to new business, system improvement and other expenditures to meet the needs of the natural gas customers.

SUBSIDIARIES

In addition to Centra, Manitoba Hydro has the following wholly-owned subsidiaries involved in energy-related business enterprises:

Manitoba Hydro International Ltd. (MHI) provides professional consulting, operations, maintenance and project management services to energy sectors world-wide, either exclusively or through partnerships. MHI also provides research and development services and products to the electrical power system industry.

Manitoba Hydro Utility Services Ltd. (MHUS) provides meter reading and related services to Manitoba Hydro, Centra and other utilities.

The following table provides a summary of the financial results of the subsidiary companies excluding Centra for the fiscal year ended March 31, 2015 compared to the previous fiscal year:

	MHI		MHUS		Other		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	millions of dollars							
Revenues	51.9	51.1	5.3	4.9	0.5	0.3	57.7	56.3
Expenses	43.3	43.2	5.4	4.9	0.2	0.3	48.9	48.4
Net income (loss)	8.6	7.9	(0.1)	-	0.3	-	8.8	7.9

WUSKWATIM POWER LIMITED PARTNERSHIP

The WPLP was formed to carry on the business of developing, owning and operating the Wuskwatim Generating Station and related works, excluding the transmission facilities but including all dams, dikes, channels, excavations and roads. The WPLP has two limited partners, Manitoba Hydro and Taskinigahp Power Corporation, which is owned beneficially by Nisichawayasihk Cree Nation, and a General Partner which is a wholly-owned subsidiary of Manitoba Hydro. The Wuskwatim Generating Station is located at Taskinigahp Falls on the Burntwood River approximately 45 kilometres southwest of Thompson, Manitoba.

The WPLP reported a net loss for 2014-15 of $34 million which is consistent with the expectations for the early years of operations. This is compared to a net loss of $67 million in 2013-14. The improvement in net loss was mainly attributable to an increase in revenues of $37 million which reflects the revised power purchase agreement between Manitoba Hydro and the WPLP. Manitoba Hydro's 67% share of the loss was $23 million ($2014 - $45 million) and TPC's 33% share of the loss was $11 million ($2014 - $22 million). At March 31, 2015 total assets for Wuskwatim generation and transmission facilities amounted to $1.6 billion ($2014 - $1.6 billion).

KEEYASK HYDROPOWER LIMITED PARTNERSHIP

The Keeyask Hydropower Limited Partnership (KHLP) was formed to carry on the business of developing, owning and operating the Keeyask hydroelectric generating station and related works excluding the transmission facilities but including all dams, dikes, channels, excavations and roads. Manitoba Hydro, Cree Nation Partners (owned beneficially by Tataskweyak Cree Nation and War Lake), Fox Lake Cree Nation Keeyask Investments Inc. (owned beneficially by Fox Lake) and York Factory First Nation Limited Partnership (owned beneficially by York Factory) are limited partners of KHLP. The General Partner is a wholly-owned subsidiary of Manitoba Hydro.

The Keeyask Generating Station is located in the vicinity of Gull Rapids, upstream of the point at which the Nelson River flows into Stephens Lake, about 30 kilometres west of Gillam. The first generating unit is expected to be placed into service in November of 2019. The total cost of the project including transmission facilities is projected to be $6.5 billion. At March 31, 2015 total expenditures for Keeyask generation and transmission amounted to $1.6 billion.

RISK MANAGEMENT

Manitoba Hydro faces a number of risks in the fulfillment of its mission and mandate. These risks are managed through a systematic, proactive and integrated process which is designed to balance the objectives of:

- identifying threats that affect the achievement of the corporation's mission and mandate;
- mitigating the consequences of negative occurrences; and
- taking advantage of opportunities to provide benefits to all stakeholders.

Most risk management efforts are focused on reducing the occurrence of negative events. However, the corporation also has plans in place to reduce the impacts should a negative event occur. These plans are under continual assessment. In addition, all safety and reliability risks are managed through strict adherence to design, construction and operating standards and practices together with extensive public education and employee training programs.

A comprehensive Emergency Response Program is also in place to ensure an effective and coordinated response to possible emergencies or natural disasters.

The financial and operational risks associated with the management of an integrated electricity and natural gas utility are significant. These risks include the impacts of new infrastructure development, aging infrastructure renewal and replacement, weather on supply and demand, price and market uncertainties, interest, inflation and foreign exchange rates, skilled labour availability and costs, increasing regulatory, environmental and legal requirements and accelerated technological change. Manitoba Hydro manages these risks through an integrated control framework and through the maintenance of an adequate level of retained earnings.

Manitoba Hydro's most significant risks are quantified in the following table:

Risk	Potential Financial Impact
Infrastructure	Greater than $2.0 billion
Drought	Greater than $1.7 billion for a five year drought
Loss of export market	Greater than 30% of electricity revenue
Interest rates	Approximately $1.1 billion for a 1% change over 10 years

STATUS OF TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In February 2013, the Canadian Accounting Standards Board (AcSB) announced an additional optional one-year deferral of IFRS for qualifying entities with rate-regulated activities with year ends beginning after January 1, 2015. Manitoba Hydro meets the AcSB criteria for deferral and intends to adopt IFRS for its 2015-16 fiscal year with comparative information presented for the 2014-15 fiscal year.

Although IFRS and Canadian Generally Accepted Accounting Principles (GAAP) are premised on a similar conceptual framework, there are a number of differences with respect to recognition, measurement and disclosure. Manitoba Hydro is in the process of finalizing the transition from Canadian GAAP to IFRS.

On January 30, 2014 the International Accounting Standards Board (IASB) issued the interim standard IFRS 14 Regulatory Deferral Accounts for rate-regulated activities effective January 1, 2016 with earlier adoption permitted. Manitoba Hydro will early adopt the interim standard upon transition to IFRS effective April 1, 2015 and continue to recognize and measure regulatory deferral accounts in accordance with existing accounting policies.

There are three significant categories of impacts from IFRS that will be described in more detail below: (1) IFRS exemptions under IFRS 1 First-time Adoption of IFRS, (2) Adjustments to equity upon adoption of IFRS, and (3) Significant accounting changes under IFRS.

IFRS Exemptions under IFRS 1 First-time Adoption of IFRS

Manitoba Hydro has completed its analysis of the exemptions available under IFRS 1. This standard provides optional and mandatory exemptions to the IFRS requirement for full retrospective application of IFRS. The corporation has chosen to apply the following significant optional exemptions from retrospective application of IFRS:

(a) Deemed cost
IFRS 1 provides entities with rate-regulated activities the option to use the carrying amount of property, plant and equipment and intangible asset balances from their previous GAAP as deemed cost upon transition to IFRS.

(b) Business combinations
Under IFRS 1, entities have the option not to retroactively restate business combinations upon transition to IFRS.

(c) Decommissioning liabilities included in the cost of property, plant and equipment
IFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities requires specified changes in a decommissioning, restoration or similar liability to be added to or deducted from the cost of the asset to which it relates. IFRS 1 provides first-time adopters the option not to retroactively restate these liabilities upon transition to IFRS.

(d) Borrowing costs
IFRS 1 provides first-time adopters the option of applying the requirements of IAS 23 Borrowing Costs prospectively from the transition date or from an earlier date. IAS 23 requires the interest capitalization rate to be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period. Manitoba Hydro applied the requirements of IAS 23 effective April 1, 2010.

(e) Transfers of assets from customers
Under IFRS 1, entities have the option to apply the requirements of IFRIC 18 Tranfers of Assets from Customers prospectively from the transition date or from an earlier date. Manitoba Hydro will apply these requirements at the transition date, April 1, 2015 resulting in the reclassification of contributions in aid of construction to deferred revenue and accordingly, recognizing amortization as other income in proportion to the depreciation schedule of the assets for which the contribution was received.

Adjustments to Equity Upon Adoption of IFRS

The transition to IFRS generally requires retrospective application of changes in accounting policies resulting from differences from existing GAAP. The following table summarizes the expected consolidated comparative adjustments at April 1, 2014:

	Note	(unaudited) Retained Earnings April 1, 2014	(unaudited) AOCI April 1, 2014
		millions of dollars	
Equity under Canadian GAAP		2,716	96
Restatement of employee pensions	(a)	(41)	(428)
Restatement of employee benefits	(b)	(32)	-
Total IFRS adjustments		(73)	(428)
Equity under IFRS		2,643	(332)

(a) Restatement of employee pensions

IAS 19 Employee Benefits requires all cumulative actuarial gains and losses to be recognized in the opening balance of other comprehensive income (OCI). IAS 19 also requires the revaluation of the net interest income or expense component by applying the discount rate used to measure the pension obligation to the net defined liability (asset), this adjustment is reflected in retained earnings. Further, IAS 19 requires that past service costs be expensed immediately through profit or loss and are reflected in the retained earnings adjustment. The requirements of IAS 19 will be applied retrospectively.

(b) Restatement of employee benefits

Under Canadian GAAP, only legally vested obligations were recorded whereas under IAS 19, employee service gives rise to an obligation regardless of whether the benefits are vested or unvested. As a result, upon transition to IFRS the sick leave vesting and severance obligations require re-measurement. These adjustments will be reflected in retained earnings.

Under IAS 19, re-measurements for employee benefits can no longer be deferred and amortized. Manitoba Hydro has deferrals related to post-employment benefits which must be written off to retained earnings on transition to IFRS.

Significant Accounting Changes Under IFRS

(a) Regulatory Deferral Accounts

In adopting the new interim standard IFRS 14, Manitoba Hydro will:

- continue to use its previous GAAP accounting policies for the recognition, measurement and impairment of regulatory deferral account balances;
- present regulatory deferral account balances as separate line items in the statement of financial position and present movements in those account balances as a separate line item in the statement of income (loss) and other comprehensive income; and
- provide specific disclosures to identify clearly the nature of, and risks associated with, the rate regulation that has resulted in the recognition of regulatory deferral account balances.

The new interim standard is only intended to provide temporary guidance until the IASB completes its comprehensive project on Rate-regulated Activities. At this time it is uncertain as to the final position the IASB will take as part of its comprehensive project. Manitoba Hydro continues to monitor and evaluate the impacts of this project on its accounting policies, financial position and business activities.

(b) Pension and employee benefits expense

Under Canadian GAAP, the corporation utilized the corridor method of amortization for actuarial gains and losses for the Manitoba Hydro Pension Fund, Enhanced Hydro Benefit Plan and Centra Gas pension plans. The corridor approach has been eliminated under IAS 19 requiring immediate recognition of actuarial gains and losses in OCI in the period in which they occur.

Under IAS 19, past service costs arise when an entity introduces a new defined benefit plan or change to the benefits payable. These improvements are recognized immediately in profit or loss whereas under Canadian GAAP these costs were deferred and amortized.

(c) Property Plant and Equipment

Under Canadian GAAP, Manitoba Hydro includes asset retirement costs in depreciation rates. IFRS does not allow such accounting treatment for asset retirements, as such upon transition to IFRS the corporation will remove these costs from depreciation expense.

On transition to IFRS, Manitoba Hydro plans to change how depreciation expense is calculated from the Average Service Life (ASL) method to the Equal Life Group (ELG) method. The ELG method develops depreciation rates with specific consideration of the expected retirement pattern for each asset type within each depreciation class. The expected result is depreciation rates that more accurately reflect the service life of assets along with gains and losses on asset retirements being reduced.

(d) Capitalization of overhead

IFRS specifically excludes administrative and general overhead costs from capitalization. Under Canadian GAAP, Manitoba Hydro capitalized a portion of these costs. As such, at transition these costs will not be included in capital projects and will instead be expensed as incurred.

(e) Contributions in aid of construction

The receipt of non-refundable contributions from customers under Canadian GAAP has been deferred and amortized to depreciation expense over the life of the related asset. With the transition to IFRS, these contributions will continue to be deferred and the amortization will be reclassified to other revenue over the life of the related asset.

Manitoba Hydro continues to monitor and evaluate the impacts of current and prospective IFRS on its accounting policies, financial position and business activities.

OUTLOOK

Manitoba Hydro entered fiscal 2015-16 with above average water storage levels but runoff in the spring of 2015 was below average due to well below average precipitation across the system in the prior fall and winter seasons. However, inflows recovered to near normal following spring rains. Export market prices in 2014-15 were down slightly from 2013-14, largely due to the more moderate winter temperatures experienced in 2014-15 versus the prior year, when extreme cold weather drove up natural gas and electricity prices. Export prices for 2015-16 are expected to resemble prices experienced this past year. Based on current conditions, Manitoba Hydro expects its net income for 2015-16 to be similar to the level experienced in 2014-15.

Manitoba Hydro is proceeding with the construction of the Bipole III reliabilty project, the Keeyask generating station and a proposed major new interconnection transmission line to the U.S. as well as significantly expanding its Power Smart customer efficiency programs. These initiatives will improve electrical system reliability, meet the future energy needs of the province and take advantage of export opportunities. These plans will involve the investment of approximately $11 billion over the next 10 years which will generate significant benefits for Manitobans over ensuing decades.

The Bipole III reliability project involves the construction of a new 500-kV high voltage direct current (HVDC) transmission line along with new converter stations, one in the north and another at the southern receiving end. The project is required to enhance the reliability of Manitoba Hydro's transmission system and reduce the dependency on the Dorsey Converter Station and the existing HVDC Interlake corridor. The project will also provide additional capacity for delivery of existing and proposed hydroelectric generation to southern markets. Major contracts have now been awarded for the HVDC converter equipment, northern 230-kV switchyard and materials for the construction of the 500-kV transmission line. Construction activities are well underway at the Keewatinohk (northern) converter station, construction power station as well as the clearing of the right-of-way for all northern and central segments of the 500-kV transmission line.

The 695-megawatt Keeyask Generating Station is being built on the Nelson River, 30 kilometres west of Gillam, within the Split Lake Resource Management Area, in partnership with four Keeyask Cree Nations (KCN) – Tataskweyak Cree Nation, War Lake First Nation, Fox Lake Cree Nation and York Factory First Nation. Provincial approval was received following the Clean Environment Commission Hearings and Needs for and Alternatives To proceeding before the Public Utilities Board. All permits, licenses, approvals and supporting activities required to commence construction were completed and/or received. Construction commenced on July 16, 2014 with a projected first unit in-service date of November 2019. The general civil contract, the largest contract on the Keeyask Project, was awarded to BBE Hydro Constructors Limited Partnership for $1.4 billion. Construction activities continued throughout the winter with efforts focused on constructing cofferdams and other in-stream rock and earth structures to control the flow of the Nelson River, which will allow the permanent structures to be constructed. Major concrete placement activities are planned to begin in spring 2016.

The new Manitoba-Minnesota 500-kV transmission line (within Manitoba) and the U.S. portion of the 500-kV interconnection project, (known as the Great Northern Transmission Line) are key components of Manitoba Hydro's future development. The transmission line will provide additional export capability with 883 MW of southbound transmission and additional import capability with 698 MW of northbound transmission from the Manitoba/U.S. border to the Blackberry Substation located near Grand Rapids, Minnesota. The proposed transmission facilities, within Manitoba, will increase the Manitoba to U.S. transfer capability for both export and import purposes.

Manitoba Hydro's highly successful Power Smart Program continues to encourage residential, commercial and industrial customers to use energy more efficiently through 32 programs and initiatives. These efforts work towards making permanent shifts in the Manitoba marketplace for long-term adoption of energy efficient technologies and practices. The Power Smart Plan is projected to achieve electric energy and demand savings of 6,286 GWh and 1,635 MW per year and natural gas savings of 211 million cubic metres per year by 2028-29. These energy savings are expected to reduce greenhouse gas emissions by over 4.6 million tonnes annually while providing Manitobans with lower energy bills from the installation of energy savings measures and the continued sale of the conserved energy on export markets. The reduced energy consumption forecast in the updated plan represents 12.7 per cent of the estimated electric load forecast offsetting 66 per cent of projected load growth during this period and 5.3 per cent of the estimated natural gas volume forecast by 2028-29, further reducing natural gas consumption in Manitoba.

MANAGEMENT REPORT

For the year ended March 31, 2015

The accompanying consolidated financial statements and all additional information contained in the Annual Report are the responsibility of management and have been approved by the Manitoba Hydro-Electric Board. The consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada, applied on a basis consistent with that of the preceding year. In management's opinion, the consolidated financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available up to June 24, 2015. The financial information presented elsewhere in the Annual Report is consistent with that in the consolidated financial statements.

Management maintains internal controls to provide reasonable assurance that the assets of the corporation are properly safeguarded and that the financial information is reliable, timely and accurate. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its finding to management and to the Audit Committee of the Board.

The responsibility of the external auditors, Ernst & Young LLP, is to express an independent, professional opinion on whether the consolidated financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of their examination and their opinion.

The Audit Committee of the Board is comprised of six members, the majority of whom are members of the Manitoba Hydro-Electric Board. The Audit Committee of the Board meets with the external auditors, representatives of the Auditor General's Office, the internal auditors and management to satisfy itself that each group has properly discharged its respective responsibility and to review the consolidated financial statements before recommending approval by the Board. The internal and external auditors have full and unrestricted access to the Audit Committee, with or without the presence of management. The Board reviews the Annual Report in advance of its release and approves its content and authorizes its publication.

On behalf of management:

Scott A. Thomson, CA
President & Chief Executive Officer

Darren B. Rainkie, CA, CBV
Vice-President, Finance & Regulatory Affairs & Chief Financial Officer

Winnipeg, Canada
June 24, 2015

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Manitoba Hydro-Electric Board

We have audited the accompanying consolidated financial statements of Manitoba Hydro-Electric Board, which comprise the consolidated balance sheet as at March 31, 2015 and the consolidated statements of income, comprehensive income, accumulated other comprehensive income, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Manitoba Hydro-Electric Board as at March 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants

Winnipeg, Canada
June 24, 2015

CONSOLIDATED STATEMENT OF INCOME

For the year ended March 31

		Notes	2015	2014
			millions of dollars	
Revenues				
Electric	Manitoba		1,424	1,405
	Extraprovincial	4	400	422
	Other revenue	9	68	70
Gas	Commodity		274	252
	Distribution		154	163
			2,320	2,312
Cost of gas sold			274	252
			2,046	2,060
Expenses				
Operating and administrative			559	558
Finance expense		5	527	470
Depreciation and amortization		6	436	442
Water rentals and assessments		8	125	125
Fuel and power purchased			145	160
Capital and other taxes		7	120	117
Other expenses		9	31	36
			1,943	1,908
Net income before non-controlling interest			103	152
Net loss attributable to non-controlling interest		25	11	22
Net Income			114	174

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the year ended March 31

	2015	2014
	millions of dollars	
Retained earnings, beginning of year	2,716	2,542
Net income	114	174
Retained earnings, end of year	2,830	2,716

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at March 31

	Notes	2015	2014
		millions of dollars	
Assets			
Property, Plant and Equipment	10	15,250	13,627
Current Assets			
Cash and cash equivalents		494	142
Accounts receivable and accrued revenue		470	520
Inventory	11	99	81
		1,063	743
Other Assets			
Sinking fund investments	12	114	111
Goodwill		107	107
Intangible assets	13	186	174
Regulated assets	14	346	360
Other long-term assets	15	528	517
		1,281	1,269
		17,594	15,639

Approved on behalf of the Board:

William C. Fraser, FCA
Chair of the Board
Acting Chair of the Audit Committee

	Notes	2015	2014
		millions of dollars	
Liabilities and Equity			
Long-Term Debt	16	12,303	10,460
Current Liabilities			
Accounts payable and accrued liabilities		560	561
Accrued interest		95	100
Current portion of long-term debt	16	377	408
		1,032	1,069
Other Liabilities			
Asset purchase obligation	17	199	207
Regulated liabilities	14	22	22
Other long-term liabilities	18	808	615
		1,029	844
Contributions in Aid of Construction	19	441	381
Equity			
Retained earnings		2,830	2,716
Accumulated other comprehensive income (loss)		(161)	96
		2,669	2,812
Non-controlling interest	25	120	73
		2,789	2,885
		17,594	15,639

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31

	2015	2014
	millions of dollars	
Operating Activities		
Cash receipts from customers	2,379	2,176
Cash paid to suppliers and employees	(1,222)	(1,053)
Interest paid	(536)	(502)
Interest received	30	70
Cash provided by operating activities	651	691
Financing Activities		
Proceeds from long-term debt	2,210	1,320
Sinking fund withdrawals	111	415
Retirement of long-term debt	(654)	(613)
Other	7	3
Cash provided by financing activities	1,674	1,125
Investing Activities		
Property, plant and equipment	(1,819)	(1,457)
Contributions received	73	63
Sinking fund payments and deposits	(114)	(209)
Other	(113)	(103)
Cash used for investing activities	(1,973)	(1,706)
Net increase in cash and cash equivalents	352	110
Cash and cash equivalents, beginning of year	142	32
Cash and cash equivalents, end of year	494	142

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

For the year ended March 31

	2015	2014
	millions of dollars	
Net Income	114	174
Other Comprehensive Loss		
Unrealized foreign exchange losses on debt in cash flow hedges	(249)	(155)
Realized foreign exchange gains on debt in cash flow hedges reclassified to income	(8)	(19)
Realized gains on early redemption of sinking funds recognized in net income	-	(19)
Unrealized fair value losses on available-for-sale U.S. sinking fund investments	-	(10)
	(257)	(203)
Comprehensive Loss	(143)	(29)

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

For the year ended March 31

	2015	2014
	millions of dollars	
Accumulated other comprehensive income, beginning of year	96	299
Other comprehensive loss	(257)	(203)
Accumulated other comprehensive income (loss), end of year	(161)	96

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1 NATURE OF THE ORGANIZATION

The Manitoba Hydro-Electric Board and the Manitoba Power Commission were amalgamated in 1961 by enactment of The Manitoba Hydro Act to form a Crown corporation in the Province of Manitoba named Manitoba Hydro (the corporation). Manitoba Hydro's mandate is to provide for the continuance of a supply of energy adequate for the needs of the province and to engage in and to promote economy and efficiency in the development, generation, transmission, distribution, supply and end-use of energy. The head office of the corporation is located at 360 Portage Avenue, Winnipeg, Manitoba.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - These consolidated financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) as set forth in Part V of the Chartered Professional Accountants (CPA) of Canada Handbook – Accounting – Pre-Changeover Accounting Standards and include the significant accounting policies described hereafter.

Consolidation - These consolidated financial statements include the accounts of Manitoba Hydro and its wholly-owned subsidiaries including Centra Gas Manitoba Inc. (Centra), Minell Pipelines Ltd., Manitoba Hydro International Ltd. (MHI), Manitoba Hydro Utility Services Ltd. (MHUS), Teshmont LP Holdings Ltd. (which has a 40% ownership interest in the Teshmont Consultants Limited Partnership) and 6690271 Manitoba Ltd. (a subsidiary which was formed to participate in the development of a new transmission interconnection to the U.S.). These consolidated financial statements also include Manitoba Hydro's 67% ownership interest in the Wuskwatim Power Limited Partnership (WPLP) and its 75% ownership in the Keeyask Hydropower Limited Partnership (KHLP). For purposes of consolidation, all significant intercompany accounts and transactions have been eliminated.

Rate-Regulated Accounting - The prices charged for the sale of electricity and natural gas within Manitoba are subject to review and approval by the Public Utilities Board of Manitoba (PUB). The rate-setting process is designed such that rates charged to electricity and natural gas customers recover costs incurred by Manitoba Hydro in providing electricity and natural gas service. As permitted under Canadian GAAP, the corporation applies standards issued by the Financial Accounting Standards Board (FASB) in the United States as another source of Canadian GAAP. FASB Accounting Standards Codification Section 980 – Regulated Operations, represents the standard Manitoba Hydro applies for rate-regulated accounting. These accounting policies differ from enterprises that do not operate in a rate-regulated environment. Such accounting policies allow for the deferral of certain costs or credits which will be recovered or refunded in future rates. These costs or credits would otherwise have been included in the determination of net income in the year that the cost or credit is incurred. Manitoba Hydro refers to such deferred costs or credits as regulated assets or regulated liabilities (Note 14) which are generally comprised of the following:

- Power Smart programs - The costs of the corporation's energy conservation programs, referred to as Power Smart, are deferred and amortized on a straight-line basis over a period of 10 years.

- Site restoration costs - Site restoration costs, other than those for which an asset retirement obligation has been established, are deferred and amortized on a straight-line basis over a period of 15 years.

- Deferred taxes - Taxes paid by Centra (July 1999) as a result of its change to non-taxable status on acquisition by Manitoba Hydro, have been deferred and are being amortized on a straight-line basis over a period of 30 years.

- Acquisition costs - Costs associated with the acquisition of Centra (July 1999) and Winnipeg Hydro (September 2002) have been deferred and are being amortized on a straight-line basis over a period of 30 years.

- Regulatory costs - Costs associated with regulatory hearings are deferred and amortized on a straight-line basis over periods up to 5 years.

- Purchased gas variance accounts - Accounts are maintained to recover/refund differences between the actual cost of gas and the cost of gas incorporated into rates charged to customers as approved by the PUB. The difference between the recorded cost of natural gas and the actual cost of natural gas is recovered or refunded in future rates.

- Demand side management (DSM) deferral - In Board Orders 43/13 and 85/13, the PUB directed that the differences between actual and planned spending on electric and gas DSM for the 2012-13 and 2013-14 fiscal years be recorded in a regulatory deferral account. The cumulative differences for 2012-13 and 2013-14 have been recorded as a regulated liability with an offsetting balance recorded as a regulated asset. The disposition of this regulatory deferral will be determined at a future PUB proceeding.

Manitoba Hydro's other significant accounting policies are as follows:

a) **Property, Plant and Equipment**

Property, plant and equipment is stated at cost which includes direct labour, materials, contracted services, a proportionate share of overhead costs and interest applied at the average cost of debt. Interest is allocated to construction until a capital project becomes operational or a decision is made to abandon, cancel or indefinitely defer construction. Once the transfer to in-service property, plant and equipment is made, interest allocated to construction ceases and depreciation and interest charged to operations commences.

b) **Depreciation**

Depreciation is provided on a straight-line remaining-life basis. The major components of generating stations are depreciated over the lesser of the remaining life of the major component or the remaining life of the associated generating station.

The range of estimated service lives of each major asset category is as follows:

Generation	- Hydraulic	20	-	125 years
	- Thermal	4	-	75 years
Transmission lines		10	-	85 years
Substations		15	-	65 years
Distribution		10	-	75 years
Other		5	-	100 years

Provision for removal costs of major property, plant and equipment is charged to depreciation expense on a straight-line basis over the remaining service lives of the related assets. Retirements of these assets, including costs of removal, are charged to accumulated depreciation with no gains or losses reflected in operations. The estimated service lives and removal costs of the assets are based upon depreciation studies conducted periodically by the corporation. A depreciation study was completed during 2014-15 which resulted in changes to the estimated service lives.

c) **Asset Retirement Obligations**

Asset retirement obligations are measured initially at fair value in the period in which the obligations are incurred, provided that a reasonable estimate of the fair value can be made. The present value of the estimated retirement cost is added to the carrying amount of the related asset. In subsequent periods, the estimated retirement cost is amortized over the useful life of the asset and the carrying value of the liability is increased to recognize increases in the liability's present value with the passage of time.

d) **Inventory**

Inventory is valued at the lower of average cost or net realizable value.

e) **Contributions in Aid of Construction**

Contributions are required from customers whenever the costs of extending service exceed specified construction allowances. Contributions are amortized on a straight-line basis over the estimated service lives of the related assets.

f) **Revenues**

Manitoba electricity and gas sales are recognized upon delivery to the customer and include an estimate of energy deliveries not yet billed at year end.

Extraprovincial revenues are recorded upon the delivery of energy.

Other revenue is recorded on the delivery of the related good or service, over the term of the contract for maintenance and lease contracts or on a percentage of completion basis for fixed price contracts.

g) **Cost of Gas Sold**

Cost of natural gas sold is recorded at the same rates charged to customers.

h) **Employee Future Benefits**

Manitoba Hydro provides future benefits, including pension and other post-retirement benefits, to both existing and retired employees. Pension plans include the Civil Service Superannuation Board (CSSB) plan, the Enhanced Hydro Benefit Plan (EHBP), three Centra curtailed pension plans and the Winnipeg Civic Employee Benefits Program (WCEBP). MHUS is a matching employer under The Civil Service Superannuation Act and MHI sponsors a defined contribution group registered retirement plan.

The costs and obligations of pension and other post-retirement benefits are calculated by an independent actuary using the accrued benefit actuarial cost method and reflect management's best estimate of future compensation increases, service lives, inflation rates and expected rate of return on plan assets. Pension expense is comprised of the cost of pension benefits provided during the year, the amortization of past service benefits, experience gains and losses and expected returns on fund assets net of interest on the obligation. The amount of expected returns on fund assets is based on market related values using a five-year moving average. The unamortized present value of past service benefits and actuarially determined experience gains or losses are recognized in the consolidated financial statements as assets or liabilities.

The corporation utilizes the corridor method of amortizing actuarial gains and losses. The amortization of experience gains and losses is recognized only to the extent that the cumulative unamortized net actuarial gain or loss exceeds 10% of the greater of the accrued benefit obligation and the fair market value of plan assets at the beginning of the year. When required, the excess of the cumulative gain or loss balance is amortized over the expected average remaining service life of the employees covered by the plan.

Pension and long-term disability expenses pertaining to the former Winnipeg Hydro employees are recognized at the time contributions are made to the WCEBP, which maintains the funds and obligations relating to these employees in its financial records.

Other employee benefits earned by employees include vacation, vested sick leave, severance and a retirement health spending plan. Where applicable, the future costs of these benefits are based on management's best estimates.

i) **Comprehensive Income (Loss)**

Comprehensive income consists of net income and other comprehensive income (OCI). OCI includes unrealized gains and losses arising from changes in the fair value of available-for-sale assets and changes in the foreign exchange rate for U.S. denominated long-term debt and interest payments in effective cash flow hedging relationships. Such amounts are recorded in accumulated OCI (AOCI) until the criteria for recognition in net income are met.

j) Financial Instruments

All financial instruments are measured at fair value on initial recognition as of the trade date. Transaction costs are included in the initial carrying amount of financial instruments. Measurement in subsequent periods depends on the classification of the instrument. Financial instruments are classified into one of the following five categories: held-to-maturity investments, loans and receivables, held-for-trading, available-for-sale or other financial liabilities.

Financial instruments classified as loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method of amortization. Available-for-sale financial assets are measured at fair value with unrealized gains and losses recorded in OCI until the instrument is derecognized or impaired. Translation gains and losses on available-for-sale financial assets in a hedging relationship with financial liabilities are credited or charged to finance expense. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in income in the period in which they arise.

k) Foreign Currency Translation

Revenues and expenditures resulting from transactions in foreign currencies are translated into Canadian dollar equivalents at exchange rates in effect at the transaction dates.

Long-term monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the consolidated balance sheet date. Translation gains and losses are credited or charged to finance expense in the current period except for long-term debt obligations in hedging relationships with future export revenues. Translation gains and losses for long-term debt obligations in hedging relationships with future export revenues are recorded in OCI until such time that the hedged export revenues are realized, at which time accumulated exchange gains and losses are credited or charged to finance expense.

Current monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing as at the consolidated balance sheet date. Any exchange gains and losses on the translation of current monetary assets and liabilities are credited or charged to finance expense in the current period.

l) Derivatives

The corporation does not engage in derivative trading or speculative activities. All derivative instruments are carried at fair value on the consolidated balance sheet with the exception of those that were entered into for the purpose of physical receipt or delivery in accordance with the corporation's expected normal purchases and sales. Changes in the fair value of derivatives that are not designated in a hedging relationship and do not qualify for the normal purchase and sale exemption are recorded in net income.

m) **Hedges**

The corporation has designated cash flow and fair value hedges linking financial instruments to specific assets and forecasted transactions. Long-term cash flow hedges have been established between U.S. long-term debt balances and future U.S. export revenues as well as between U.S. interest payments on dual currency bonds and future U.S. export revenues. A fair value hedge relationship has also been established between U.S. long-term debt balances and U.S. sinking fund investments. The corporation documents the relationship between the hedging instrument and the hedged item and assesses at inception, and on an ongoing basis, the effectiveness of the hedging relationship.

n) **Debt Discounts and Premiums**

Debt discounts and premiums are amortized to finance expense using the effective interest method.

o) **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

p) **Goodwill**

Goodwill represents the amount of the corporation's investments in Centra and Winnipeg Hydro over and above the fair market value of the identified net assets acquired. The goodwill balance is evaluated annually to determine whether any impairment has occurred. An impairment would be recognized if it was determined that the carrying value of the corporation's investments in Centra or Winnipeg Hydro exceeded the present value of the future cash flows from these investments. Should impairment occur, it would be recorded as a charge against operations in the year of impairment.

q) **Intangible Assets**

Intangible assets include computer software, application development costs, land easements and transmission rights. Intangible assets are recorded at cost. The cost of computer software and application development includes software, direct labour, materials, contracted services, a proportionate share of overhead costs and interest during development applied at the average cost of debt. Intangible assets with finite useful lives are amortized over their useful lives on a straight-line basis. The expected useful lives are as follows:

Computer software and application development	5 - 11 years
Land easements	75 years
Transmission rights	1 - 12 years

The estimated service lives of intangible assets are based upon depreciation studies conducted periodically by the corporation. A depreciation study was completed during 2014-15 which resulted in changes to the estimated service lives. The transmission rights are amortized over the contractual period plus a one-term renewal.

r) **Non-Controlling Interest**

Non-controlling interest represents the outstanding ownership interests attributable to third parties in the corporation's limited partnerships. The portion of the equity not owned by the corporation is reflected as non-controlling interest within the equity section of the consolidated balance sheet. The portion of the net income or net loss not attributed to the corporation is recorded as a non-controlling interest in the consolidated statement of income.

s) **Use of Estimates**

The preparation of consolidated financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements. Actual amounts could differ from those estimates, but differences are not expected to be material.

NOTE 3 ACCOUNTING CHANGES

Depreciation Rate Estimates

Depreciation is recognized on a straight-line remaining-life basis with estimated service lives of assets being based upon depreciation studies conducted periodically by the corporation. In accordance with a depreciation study completed in 2014-15, the estimated useful lives of a number of asset components were adjusted. This change in estimate was applied prospectively effective April 1, 2014 and resulted in a $26 million decrease in depreciation and amortization expense in 2014-15.

Future Accounting Changes

International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board (AcSB) and the Public Sector Accounting Board confirmed that government business enterprises such as Manitoba Hydro would be required to follow IFRS for fiscal years beginning on or after January 1, 2011. However, the AcSB has announced a number of optional deferrals of the adoption of IFRS for qualifying entities with rate-regulated activities. As Manitoba Hydro is a qualifying entity with rate-regulated activities, the corporation was permitted to defer the adoption of IFRS until years beginning on or after January 1, 2015.

Although IFRS and Canadian GAAP are premised on a similar conceptual framework, there are a number of differences with respect to recognition, measurement and disclosure. Manitoba Hydro is in the process of finalizing the transition from Canadian GAAP to IFRS and intends to adopt IFRS for its 2015-16 fiscal year with comparative information presented for the 2014-15 fiscal year.

On January 30, 2014, the International Accounting Standards Board (IASB) issued the interim standard IFRS 14 Regulatory Deferral Accounts for rate-regulated activities effective January 1, 2016 with earlier adoption permitted. Manitoba Hydro will adopt the interim standard upon transition to IFRS effective April 1, 2015 and will continue to recognize regulatory deferral accounts for its financial reporting. The new interim standard is only intended to provide temporary guidance until the IASB completes its comprehensive project on rate-regulated activities.

NOTE 4 EXTRAPROVINCIAL REVENUES

	2015	2014
	millions of dollars	
United States	368	375
Canada	32	47
	400	422

U.S. extraprovincial revenues were translated into Canadian dollars at exchange rates in effect at the date of the transaction. The average effective exchange rate for the year was $1.00 U.S. = $1.13 Canadian ($2014 - $1.00 U.S. = $1.05 Canadian).

NOTE 5 FINANCE EXPENSE

	2015	2014
	millions of dollars	
Interest on debt	680	654
Interest capitalized	(149)	(142)
Investment income	-	(25)
Realized foreign exchange gains on debt in cash flow hedges	(5)	(19)
Realized losses on revaluation of dual currency bonds	1	2
	527	470

Included in interest on debt is $109 million ($2014 - $99 million) related to the Provincial Debt Guarantee Fee. The fee during the year was 1.0% of the total outstanding debt guaranteed by the Province of Manitoba (2014 - 1.0%).

NOTE 6 DEPRECIATION AND AMORTIZATION

	2015	2014
	millions of dollars	
Depreciation of property, plant and equipment	371	375
Amortization of regulated assets	45	45
Amortization of intangible assets	20	22
	436	442

NOTE 7 CAPITAL AND OTHER TAXES

	2015	2014
	millions of dollars	
Capital taxes	65	63
Property taxes	37	34
Payroll taxes	13	12
Other	5	8
	120	117

NOTE 8 WATER RENTALS AND ASSESSMENTS

	2015	2014
	millions of dollars	
Water rentals	117	118
Assessments	8	7
	125	125

Water rentals are paid to the Province of Manitoba for the use of water resources in the operation of the corporation's hydroelectric generating stations. Water rental rates during the year were $3.34 per MWh (2014 - $3.34 per MWh).

NOTE 9 OTHER REVENUE AND OTHER EXPENSES

	2015	2014
	millions of dollars	
Other revenue		
Services provided to external entities	52	52
Miscellaneous	16	18
	68	70
Other expenses		
Cost of services provided to external entities	31	32
Write-off of property, plant and equipment under construction	-	4
	31	36

NOTE 10 PROPERTY, PLANT AND EQUIPMENT

	2015			
	In service	Accumulated depreciation	Construction in progress	Net book value
	millions of dollars			
Generation				
Hydraulic	7,438	1,917	2,158	7,679
Thermal	491	305	11	197
Transmission lines	1,055	333	433	1,155
Substations	3,594	1,485	592	2,701
Distribution	3,875	1,338	68	2,605
Other	1,248	378	43	913
	17,701	5,756	3,305	15,250

	2014			
	In service	Accumulated depreciation	Construction in progress	Net book value
	millions of dollars			
Generation				
Hydraulic	6,772	1,825	1,788	6,735
Thermal	479	290	17	206
Transmission lines	1,036	319	249	966
Substations	3,055	1,407	731	2,379
Distribution	3,634	1,287	114	2,461
Other	1,214	378	44	880
	16,190	5,506	2,943	13,627

NOTE 11 INVENTORY

	2015	2014
	millions of dollars	
Inventory	82	81
Natural gas inventory	17	-
	99	81

NOTE 12 SINKING FUND INVESTMENTS

Manitoba Hydro is legislated under The Manitoba Hydro Act to make annual sinking fund payments to the Province of Manitoba of not less than 1% of the principal amount of the outstanding debt on the preceding March 31 and 4% of the balance in the sinking fund at such date. Payments to the sinking fund during the year were $114 million (2014 - $209 million). Income earned on sinking fund investments is included with investment income for the year.

Sinking funds are invested in government bonds and the bonds of highly rated corporations and financial institutions.

	2015	2014
	millions of dollars	
U.S. investments	-	111
Canadian investments	114	-
	114	111

Canadian investments have a weighted average term to maturity of 1 day (2014 - 0 days) and an effective yield to maturity of 0.75% (2014 - 0%). U.S. investments have a weighted average term to maturity of 0 days (2014 - 10 days) and an effective yield to maturity of 0% (2014 - 0.1%)

NOTE 13 INTANGIBLE ASSETS

	2015		
	Cost	Accumulated amortization	Net book value
	millions of dollars		
Intangible assets			
Computer software and application development	223	121	102
Land easements	92	15	77
Transmission rights	12	5	7
	327	141	186

	2014		
	Cost	Accumulated amortization	Net book value
	millions of dollars		
Intangible assets			
Computer software and application development	223	120	103
Land easements	80	14	66
Transmission rights	8	3	5
	311	137	174

The additions to intangible assets for the year totaled $34 million (2014 - $30 million). In total, intangible assets of $22 million (2014 - $24 million) were amortized to operations during the year.

NOTE 14 REGULATED ASSETS AND REGULATED LIABILITIES

	2015	2014
	millions of dollars	
Regulated assets		
Power Smart programs - electric	186	184
- gas	55	54
Site restoration costs	34	36
Purchased gas variance accounts	32	39
Deferred taxes	26	27
Acquisition costs	11	19
Regulatory costs	2	1
	346	360
Regulated liabilities		
DSM deferral	22	22
	22	22

If the corporation was not subject to rate regulation, the costs associated with the regulated assets and liabilities would be charged to operations in the period that they were incurred and net income for 2015 would have been increased by $6 million (2014 - increased by $7 million).

In total, regulated assets of $49 million (2014 - $49 million) were amortized to operations during the year.

The corporation passes all costs related to the purchase and transportation of natural gas on to its customers without markup. If the corporation were not subject to rate regulation, the purchased gas variance accounts would not be maintained and the actual cost of gas would be expensed in the period incurred. If actual gas costs were expensed and sales rates were not adjusted accordingly, net income would have increased by $7 million (2014 - decreased by $63 million).

NOTE 15 OTHER LONG-TERM ASSETS

	2015	2014
	millions of dollars	
Advances to St. Joseph Windfarm Inc. (excluding current portion)	209	218
Advances to Taskinigahp Power Corporation (Note 25)	115	112
Advances to Cree Nation Partners Limited Partnership (Note 25)	34	-
Advances to York Factory First Nation Limited Partnership (Note 25)	12	-
Advances to Fox Lake Cree Nation Keeyask Investments Inc. (Note 25)	12	-
Accrued benefit asset (Note 22)	54	90
Contract receivables	86	86
Affordable Energy Fund (Note 24)	6	11
	528	517

The St. Joseph wind farm is owned by Pattern Energy and operated by St. Joseph Windfarm Inc. Financing for the wind farm was provided partly by Manitoba Hydro. In accordance with the loan agreement, Manitoba Hydro provided advances of $250 million, which will be repaid with interest over 20 years. In addition, Manitoba Hydro has provided access to a $10 million reserve loan facility. The corporation signed a 27-year power purchase agreement with St. Joseph Windfarm Inc. in March 2010.

NOTE 16 LONG-TERM DEBT

	2015	2014
	millions of dollars	
Advances from the Province of Manitoba represented by debenture debt of the Province	12,485	10,683
Manitoba HydroBonds	76	169
Manitoba Hydro-Electric Board Bonds	157	158
	12,718	11,010
Less: Current portion of long-term debt	377	408
	12,341	10,602
Adjustment to carrying value of dual currency bonds	6	(12)
Debt discounts and premiums	-	(96)
Transaction costs	(44)	(34)
	12,303	10,460

During the year, the corporation arranged long-term financing of $2,210 million (2014 - $1,320 million). The current year financing was in the form of Provincial Advances with the majority at fixed interest rates.

Included in the current portion of long-term debt are $312 million (2014 - $259 million) of debt maturities and $65 million (2014 - $149 million) of floating-rate Manitoba HydroBonds with maturity dates in 2016 and 2018. Floating rate Manitoba HydroBonds are redeemable at the option of the holder.

Long-term debt is guaranteed by the Province of Manitoba, with the exception of Manitoba Hydro-Electric Board Bonds in the amount of $65 million (2014 - $65 million) issued for mitigation projects.

Debt principal amounts (excluding adjustments to the carrying value of dual currency bonds, transaction costs, debt discounts and premiums) and related yields are summarized by fiscal years of maturity in the following table:

					2015	2014
	millions of Canadian dollars					
Years of Maturity	Canadian	Cdn. Yields	U.S.	U.S. Yields	Total	Total
2016	377	3.1%	-	-	377	313
2017	311	3.3%	-	-	311	311
2018	331	6.7%	-	-	331	331
2019	733	5.9%	254	10.4%	987	1,347
2020	150	4.3%	190	7.3%	340	316
	1,902	5.4%	444	8.9%	2,346	2,618
2021-2025	1,586	3.3%	1,332	7.0%	2,918	2,135
2026-2030	620	6.1%	-	-	620	760
2031-2035	750	9.4%	-	-	750	740
2036-2040	1,735	5.0%	-	-	1,735	1,725
2041-2045	1,475	4.0%	-	-	1,475	1,300
2046-2063	2,874	3.8%	-	-	2,874	1,324
	10,942	4.5%	1,776	7.4%	12,718	10,602

Included in the above Canadian maturity amounts are two dual currency bonds with the principal amount repayable in Canadian currency and interest payments denominated in U.S. currency. The first dual currency bond matures in the 2018-19 fiscal year in the amount of $228 million Canadian while the second matures in the 2025-26 fiscal year in the amount of $130 million Canadian.

U.S. debt is translated into Canadian dollars at the exchange rate prevailing at the consolidated balance sheet date, $1.00 U.S. = $1.27 Canadian (2014 - $1.00 U.S. = $1.11 Canadian).

NOTE 17 ASSET PURCHASE OBLIGATION

Effective September 3, 2002, the corporation acquired the net assets of Winnipeg Hydro from the City of Winnipeg. The asset purchase obligation represents the net present value of payments to the City of Winnipeg of $16 million per annum in perpetuity.

NOTE 18 OTHER LONG-TERM LIABILITIES

	2015	2014
	millions of dollars	
Mitigation liability	254	229
Major development liability	218	67
Accrued benefit liability (Note 22)	211	188
Refundable advances from customers	99	102
Asset retirement obligations	12	13
Affordable Energy Fund (Note 24)	6	11
Other	8	5
	808	615

Mitigation

Manitoba Hydro's mitigation program addresses past, present, and ongoing adverse effects of historical hydroelectric development. The mitigation program, established in the late 1970s to address project impacts through alleviation of adverse effects, remedial works and residual compensation, grew out of the experience of planning and development of the Lake Winnipeg Regulation and Churchill River Diversion Projects. The Northern Flood Agreement, signed December 16, 1977 created a process that addressed ongoing mitigation and compensation for adverse effects of hydroelectric development in five signatory First Nation communities. The mitigation program was expanded to address impacts arising from all past hydroelectric developments (prior to the Wuskwatim generating station), particularly for Aboriginal people residing or engaged in resource harvesting in the project areas, and it is essential for operating and future development purposes.

Expenditures recorded or settlements reached to mitigate the impacts of historical hydroelectric development amounted to $56 million during the year (2014 - $17 million). In recognition of future mitigation payments, the corporation has recorded a liability of $254 million (2014 - $229 million). To March 31, 2015, $1,057 million (2014 - $1,001 million) has been recorded to mitigate and compensate for all project-related impacts. These expenditures are included in the costs of the associated projects and amortized over the respective remaining lives.

Included in mitigation liabilities are obligations assumed on behalf of the Province of Manitoba with respect to certain northern development projects. The corporation has assumed obligations totaling $146 million for which water power rental charges were fixed until March 31, 2001. The obligation outstanding at March 31, 2015 totaled $11 million (2014 - $11 million).

Major Development

Beginning with the Wuskwatim generating station, project-related adverse effects are identified and addressed during project planning (including the environmental assessment process), which is done in advance of project construction. As such, mitigation measures are built into project design where possible. The costs of these mitigation measures, as well as any residual compensation requirements, are therefore accounted for in the capital cost estimates for each individual project.

Programs and adverse effects agreements have been negotiated to mitigate and compensate for all anticipated project-related impacts for major new generation and transmission development projects including Wuskwatim, Keeyask and Bipole III. The corporation has recorded a liability of $218 million ($2014 - $67 million) to reflect these agreements. These expenditures are included in the costs of the associated projects and amortized over the life of the assets.

Asset Retirement Obligations

Asset retirement obligations continue to be recognized for the future decommissioning of the Brandon Thermal Generating Station and for the partial decommissioning of the Pointe du Bois Generating Station spillway. The corporation estimates the undiscounted cash flows required to settle the asset retirement obligations are approximately $19 million ($2014 - $21 million), $15 million ($2014 - $15 million) of which is expected to be incurred in 2024 to decommission the Brandon Thermal Generating Station and $4 million ($2014 - $6 million) is expected to be incurred by November 2015 for the partial decommissioning of the Pointe du Bois Generating Station spillway. No funds are being set aside to settle the asset retirement obligations.

NOTE 19 CONTRIBUTIONS IN AID OF CONSTRUCTION

	2015	2014
	millions of dollars	
Contributions in aid of construction	392	362
Bipole III contribution	49	19
	441	381

Contributions are required from customers whenever the costs of extending service exceed specified construction allowances. Contributions are amortized on a straight-line basis over the estimated service lives of the related assets.

In Order 43/13, dated April 26, 2013, the PUB directed that 1.5% of the approved 3.5% rate increase effective May 1, 2013 be set aside to be utilized to mitigate the required rate increases when Bipole III is placed in-service. In Order 49/14, dated May 6, 2014, the PUB further directed that 0.75% of the approved 2.75% interim rate increase effective May 1, 2014 also be set aside for the same purpose. During the 2015 fiscal year $30 million ($2014 - $19 million) was set aside for this purpose. The period over which this balance will be recognized into net income will be determined by the PUB at a future regulatory proceeding.

NOTE 20 FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the corporation's non-derivative financial instruments at March 31 were as follows:

	2015		2014	
	Carrying value	Fair value	Carrying value	Fair value
	millions of dollars			
Held-for-trading				
Cash and cash equivalents	494	494	142	142
Loans and receivables				
Accounts receivable and accrued revenue	470	470	520	520
Available-for-sale				
Sinking fund investments	114	114	111	111
Other financial liabilities				
Long-term debt (including current portion)	12,680	15,903	10,868	12,592
Accounts payable and accrued liabilities	560	560	561	561
Accrued interest	95	95	100	100
Asset purchase obligation	199	402	207	319

The fair value measurement of financial instruments is classified in accordance with a hierarchy of three levels, based on the type of inputs used in making these measurements:

- Level 1 - Quoted prices in active markets for identical assets and liabilities;
- Level 2 - Inputs other than quoted prices that are observable in active markets for the asset or liability; and
- Level 3 - Inputs for the asset or liability that are not based on observable market data.

Financial instrument measurements are Level 1 measurements with the exception of the long-term debt and the asset purchase obligation that are Level 2 measurements and certain derivative instruments of nominal value associated with wholesale power marketing activities that are Level 3 measurements. Fair value Level 2 measurements are derived from quoted market yields at the close of business on the consolidated balance sheet date for similar instruments available in the capital market. Level 3 measurements are based on internally developed valuation models which are consistent with valuation models developed by other market participants in the wholesale power markets. The carrying values of all other financial assets and liabilities approximate their fair values.

Financial Risks

During the normal course of business, Manitoba Hydro is exposed to a number of financial risks including credit and liquidity risks and market risk resulting from fluctuations in foreign currency, interest rates and commodity prices. Risk management policies, processes and systems have been established to identify and analyze financial risks faced by the corporation and its subsidiaries, to set risk tolerance limits, establish controls and to monitor risk and adherence to policies. An integrated risk management plan has been developed and reviewed by the Manitoba Hydro-Electric Board to ensure the adequacy of the risk management framework in relation to the risks faced by the corporation. The nature of the financial risks and Manitoba Hydro's strategy for managing these risks has not changed significantly from the prior year.

a) **Credit Risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Manitoba Hydro is exposed to credit risk related to sinking fund investments, short-term investments and pension fund investments. The corporation limits its exposure to credit risk by only investing in government-guaranteed bonds, highly rated investments and well-diversified investment portfolios.

The corporation is also exposed to credit risk related to domestic and export energy sales. Credit risk related to domestic sales is mitigated by the large and diversified electric and gas customer base. Credit risk in the export power market is mitigated by establishing credit requirements, conducting standard credit reviews of all counterparties and setting and monitoring exposure limits for each of these counterparties. Letters of credit and netting provisions are also in place to further mitigate credit risk. The maximum exposure to credit risk related to domestic and export energy sales is its fair value.

The values of the corporation's aged accounts receivable and related bad debt provisions are presented in the following table:

	Manitoba	Extraprovincial	2015	2014
		millions of dollars		
Under 30 days	320	33	353	411
31 to 60 days	20	-	20	25
61 to 90 days	11	-	11	9
Over 90 days	33	-	33	27
	384	33	417	472
Provision at end of year	(9)	-	(9)	(9)
Total accounts receivable	375	33	408	463

The provision for bad and doubtful accounts is reviewed annually, based on an estimate of aged receivables that are considered uncollectible.

b) **Liquidity Risk**

Liquidity risk refers to the risk that Manitoba Hydro will not be able to meet its financial obligations as they come due. The corporation meets its financial obligations when due through cash generated from operations, short-term borrowings, long-term borrowings advanced from the Province of Manitoba and sinking fund withdrawals.

The following is an analysis of the contractual undiscounted cash flows payable under financial liabilities and derivative liabilities as at the consolidated balance sheet date:

	Carrying value	2016	2017	2018	2019	2020	2021 and thereafter
				millions of dollars			
Non-derivative financial liabilities							
Accounts payable and accrued liabilities	560	560	-	-	-	-	-
Asset purchase obligation	199	16	16	16	16	16	16*
Long-term debt**	12,775	1,129	1,069	1,089	1,685	980	19,540
		1,705	1,085	1,105	1,701	996	19,556
Derivative financial liabilities							
Commodity derivatives							
Fixed price swap contracts	-	-	-	-	-	-	-
		-	-	-	-	-	-
		1,705	1,085	1,105	1,701	996	19,556

*per year in perpetuity

**including current portion and interest payments

c) **Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Manitoba Hydro is exposed to three types of market risk: foreign exchange risk, interest rate risk and commodity price risk associated with the price of electricity and natural gas. Manitoba Hydro continually monitors its exposure to these risks and may use hedges or derivative contracts to manage these risks.

i. Foreign Exchange Risk

Manitoba Hydro has exposure to U.S. dollar foreign exchange rate fluctuations primarily through the sale and purchase of electricity in the U.S. and through borrowing in U.S. markets. This exposure is managed through a long-term natural hedge between U.S. dollar cash inflows from export revenues and U.S. dollar cash outflows for long-term coupon and principal payments.

To mitigate annual net income impacts due to foreign exchange rate fluctuations, long-term cash flow hedges have been established between U.S. long-term debt balances and future U.S. export revenues as well as between U.S. interest payments on dual currency bonds and future U.S. export revenues. Accordingly, translation gains and losses for U.S. long-term debt obligations in effective hedging relationships with future export revenues, are recognized in OCI until future hedged U.S. export revenues are realized, at which time the associated gains or losses in AOCI are recognized in net income. For the year ended March 31, 2015, unrealized foreign exchange translation losses of $249 million (2014 - $155 million losses) were recognized in OCI and net gains of $8 million (2014 - $19 million) were reclassified from OCI into net income.

Manitoba Hydro also has a fair value hedging relationship between U.S. long-term debt balances and U.S. sinking fund investments. Offsetting foreign exchange translation gains and losses on these items are recognized in net income.

In addition to natural hedging relationships, cross currency swap arrangements transacted by the Province of Manitoba on the corporation's behalf are utilized to manage exchange rate exposures and as a means to capitalize on favourable financing terms in either U.S. or Canadian capital markets. Cross currency agreements represent an exchange of principal and/or interest flows denominated in one currency for principal and/or interest flows denominated in another. Such transactions effectively amend the terms of the original debt obligation with the Province of Manitoba with the swapped debt arrangement.

As at March 31, 2015, a change in the Canadian dollar of plus (minus) $0.10 relative to the U.S. dollar would decrease (increase) net income by $2.8 million (2014 - $0.6 million), while OCI would increase (decrease) by $140 million (2014 - $160 million).

ii. Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Manitoba Hydro is exposed to interest rate risk associated with temporary investments, floating rate long-term debt and fixed rate long-term debt maturing within 12 months, less sinking fund withdrawals, offset by the change in interest capitalization. As at March 31, 2015, an increase or decrease of 1% in the interest rate would reduce or increase net income, respectively, by $11 million (2014 - $15 million), with no impact to OCI.

Interest rate swap agreements transacted by the Province of Manitoba on the corporation's behalf are utilized to manage the fixed and floating interest rate mix of the total debt portfolio, interest rate exposure and related overall cost of borrowing. Interest rate swap agreements represent an agreement between two parties to periodically exchange payments of interest without the exchange of the principal amount upon which payments are based. The Province of Manitoba may also enter into forward start interest rate swap arrangements where the agreement to exchange interest payments commences at some future date. In either swap arrangement, the terms of the debt advanced by the Province of Manitoba to the corporation are amended by the swap.

iii. Commodity Price Risk

The corporation is exposed to electricity price risk that results from volatility of market prices and natural gas price risk through its purchase of gas for delivery to customers throughout Manitoba. The corporation mitigates commodity price risk through its limited use of derivative financial instruments restricted to contracts for differences, forward power sales contracts and natural gas price swaps. Manitoba Hydro does not use derivative contracts for trading or speculative purposes.

The corporation has entered into forward power sales contracts for 86,400 megawatt hours of electricity until December 2015 and natural gas price swaps until July 2016 to purchase 27,400 gigajoules of natural gas. These contracts are reported as derivatives and carried at fair value on the consolidated balance sheet. The unrealized fair value gains of financial derivative contracts as at March 31 are as follows:

	2015	2014
	millions of dollars	
Commodity derivative contracts	2	2

Fair values of forward sales contracts are calculated using the monthly forward electricity prices at pricing points specified in the contracts. Fair values of price swaps are calculated using the monthly forward AECO price as reported by the Natural Gas Exchange as at March 31, 2015.

NOTE 21 CAPITAL MANAGEMENT

Manitoba Hydro manages its capital structure to ensure that there is sufficient equity to absorb the financial effects of adverse circumstances and to ensure continued access to stable low-cost funding for capital projects and ongoing operational requirements.

The corporation monitors its capital structure on the basis of its equity ratio. Manitoba Hydro's long-term target is to achieve a minimum equity ratio of 25%. It is recognized that the equity ratio target may not be achieved during years of major investment in the generation and transmission system.

The corporation's equity ratio as at March 31 was as follows:

	2015	2014
		millions of dollars
Long-term debt, net of sinking fund investments	12,189	10,349
Current portion, long-term debt	377	408
Less: Cash and cash equivalents	(494)	(142)
Net debt	12,072	10,615
Retained earnings	2,830	2,716
Accumulated other comprehensive income (loss)	(161)	96
Contributions in aid of construction	441	381
Non-controlling interest	120	73
Total equity	3,230	3,266
Equity ratio	21%	24%

Manitoba Hydro issues debt for its capital requirements under the authority of The Manitoba Hydro Act and The Loan Act. The Manitoba Hydro Act grants the corporation the power to issue up to $500 million of short-term promissory notes. Manitoba Hydro submits annual requests under The Loan Act for the necessary borrowing authority for new capital requirements and the refinancing of any maturing long-term debt. The majority of Manitoba Hydro's long-term debt is obtained through advances by the Province of Manitoba.

NOTE 22 EMPLOYEE FUTURE BENEFITS

Manitoba Hydro employees are eligible for pension benefits under the CSSB defined benefit plan that provides pension benefits based on years of service and on the average earnings of the five best years. The CSSB plan requires the corporation to contribute approximately 50% of the pension disbursements made to retired employees. All current employees participating in the CSSB plan are eligible for enhanced pension benefits under the EHBP. The EHBP improves the pension formula used to calculate pension for active service accrued after June 1, 2006. In addition, the former employees of Centra are entitled to pension benefits earned under the Centra curtailed pension plans. The former Winnipeg Hydro employees continue to earn benefits under the WCEBP which upon the acquisition of Winnipeg Hydro, Manitoba Hydro became a participating employer. The WCEBP is also a defined benefit plan that provides pension benefits based on years of service and on the average earnings of the five best years.

The CSSB manages the corporation's pension funds (MH Pension Fund and EHBP) on behalf of the corporation. The assets related to the Centra curtailed pension plans are held in trust by State Street Trust Co. of Canada. The assets and liabilities of the WCEBP are not reflected on Manitoba Hydro's consolidated balance sheet. The WCEBP is governed by an independent board of trustees and a trust agreement that limits Manitoba Hydro's contribution rates. The structure of the trust agreement also limits Manitoba Hydro's exposure to future unfunded liabilities. Contributions to the plan are accounted for as a defined contribution plan.

MHUS employees are eligible for pension benefits under the CSSB defined benefit plan. As a matching employer under The Civil Service Superannuation Act, MHUS is required to match employee contributions at a prescribed rate into the Civil Service Superannuation Fund (CSSF) pool of assets. MHUS' pension expense is recognized at the time contributions are made to the fund. Manitoba Hydro does not carry a pension asset or obligation on its consolidated financial statements related to the MHUS defined benefit plan.

MHI sponsors a defined contribution group registered retirement plan. MHI matches 100% of the employee contributions at prescribed contribution rates. The cost of the pension benefits is charged to pension expense as services are rendered. Manitoba Hydro does not carry a pension asset or obligation on its consolidated financial statements for the MHI defined contribution plan.

The following table presents information pertaining to the MH Pension Fund, the EHBP and the Centra curtailed plans:

	MH Pension Fund		Enhanced Hydro Benefit Plan		Centra curtailed plans		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	millions of dollars							
Plan assets at fair value								
Balance at beginning of year	883	792	17	14	115	97	1,015	903
Actual return on plan assets	107	108	2	1	15	13	124	122
Employer contributions	33	30	2	2	2	10	37	42
Benefit payments and refunds	(49)	(47)	-	-	(6)	(5)	(55)	(52)
	974	883	21	17	126	115	1,121	1,015
Accrued benefit obligation								
Balance at beginning of year	1,265	1,232	22	20	111	113	1,398	1,365
Interest on obligation	57	52	1	1	5	5	63	58
Current service cost	45	45	3	2	-	-	48	47
Benefit payments and refunds	(50)	(47)	-	-	(5)	(5)	(55)	(52)
Actuarial losses (gains)	186	(17)	6	(1)	13	(2)	205	(20)
	1,503	1,265	32	22	124	111	1,659	1,398
(Deficit) surplus at end of year	(529)	(382)	(11)	(5)	2	4	(538)	(383)
Unamortized net actuarial loss	535	424	9	4	48	45	592	473
Accrued benefit asset (obligation)	6	42	(2)	(1)	50	49	54	90

Pension assets are valued at market rates and are invested as follows:

	MH Pension Fund		Centra curtailed pension plans	
	2015	2014	2015	2014
Equities	64%	65%	65%	66%
Bonds and debentures	20%	20%	21%	20%
Real estate	10%	10%	10%	9%
Infrastructure	4%	3%	3%	3%
Short-term investments	2%	2%	1%	2%
	100%	100%	100%	100%

Manitoba Hydro has $21 million (2014 - $17 million) on deposit with the CSSB for the EHBP. Manitoba Hydro does not have a separate portfolio of assets for the EHBP. The EHBP funds are co-mingled with the CSSF assets for investment purposes. The investment income earned on the EHBP funds is based on the market value rate of return that is earned by the CSSF. For the year ended December 31, 2014, the CSSF earned a rate of return of 9.2% (2014 - 14.7%) on fund assets.

The return on pension fund assets for the MH Pension Fund was 12.8% (2014 - 13.8%). The return for the Centra curtailed plan fund assets was 12.8% (2014 - 13.8%). The weighted average term to maturity on fixed income investments is 9.4 years (2014 - 9.3 years).

The most recent actuarial valuations for the corporation's obligations under the CSSB and Centra curtailed pension plans were performed with respect to the liabilities outstanding as at December 31, 2014. These valuations incorporated management's best estimate assumptions and took into consideration the long-term nature of the pension plans. The next actuarial valuations for all plans, including the EHBP will occur in December 2015.

The most recent actuarial valuations for the pension plans for going concern funding purposes were prepared as at December 31, 2013, at which date the MH Pension Fund was 85% and the EHBP was 102.2% funded. The MH Pension Fund is exempt from the funding and solvency test funding requirements of The Manitoba Pension Benefits Act.

The Centra curtailed pension plans are Registered Pension Trusts as defined in the Income Tax Act (Canada). The Master Trust is made up of three individual plans including the Centra Gas Manitoba Inc. Pension Plan for Salaried Employees, the Centra Gas Manitoba Inc. Union Employees' Pension Plan and the Centra Gas Manitoba Inc. (Rural) Local 681 Pension Plan. Centra is required to make special payments to the plans at amounts considered necessary to ensure that the benefits will be fully provided for at retirement as determined in the most recent actuarial valuation, dated December 31, 2013. The Centra Salaried, Union and Rural plans were 98.4%, 116.1% and 98.4% funded respectively at that date.

The significant actuarial assumptions adopted in measuring the corporation's pension and other employee benefit obligations are as follows:

	2015	2014
Discount rate - pensions	3.70%	4.50%
Discount rate - other benefits	3.70%	4.50%
Expected long-term rate of return on plan assets	7.0%	7.0%
Rate of compensation increase, including merit and promotions	1.5 - 2.0%	1.5 - 2.0%
Expected average remaining service life of employees - MH Pensions	13 years	13 years
Expected average remaining service life of employees - Centra Pensions	10 years	10 years
Long-term inflation rate	2.0%	2.0%

The corporation's pension expense related to each of the pension benefit plans is as follows:

	CSSB Plan		Enhanced Hydro Benefit Plan		Centra curtailed pension plans	
	2015	2014	2015	2014	2015	2014
	millions of dollars					
Current service cost	45	45	3	2	-	-
Administrative fees	3	3	-	-	-	-
Canada Pension Plan	15	16	-	-	-	-
Interest on obligation	57	52	1	1	5	5
Expected return on plan assets	(61)	(59)	(1)	(1)	(8)	(7)
Amortization of net experience loss	26	28	-	-	3	4
Amortization of transitional gain	-	(1)	-	-	-	-
	85	84	3	2	-	2

Pension expense for the former Winnipeg Hydro employees is equal to employer contributions to the WCEBP in addition to employer remittances to the Canada Pension Plan. Total contributions to the WCEBP during the year amounted to $1 million (2014 - $1 million) and reflect an employer contribution rate approximating 4.8% of pensionable earnings as of January 2, 2014. Pension expense for MHUS and MHI is equal to the employer contributions and is expensed during the year. The amounts are not material.

Manitoba Hydro also provides some non-pension employee future benefits including banked incidental and vacation days, long-term disability, retiree health spending, sick leave vesting and severance.

The following table presents information concerning other employee future benefits:

	2015	2014
	millions of dollars	
Accrued benefit liability		
Balance at beginning of year	203	201
Interest on obligation	9	4
Current service cost	28	20
Benefit payments	(21)	(17)
Actuarial loss (gain)	16	(5)
	235	203
Unamortized past service costs	(5)	(6)
Unamortized transitional obligation	(1)	(2)
Unamortized net actuarial loss	(18)	(7)
Accrued benefit liability	211	188

NOTE 23 COMMITMENTS AND CONTINGENCIES

Manitoba Hydro has energy purchase commitments of $1,499 million (2014 - $1,571 million) that relate to future purchases of wind, natural gas (including transportation and storage contracts), coal and electricity. Commitments are primarily for wind, which expire in 2038, and natural gas purchases, which expire in 2020. In addition, other outstanding commitments principally for construction, are approximately $3,567 million (2014 - $2,676 million).

The corporation will incur future costs associated with the assessment and remediation of contaminated lands and facilities and for the phase-out and destruction of polychlorinated biphenyl contaminated mineral oil from electrical equipment. Although these costs cannot be reasonably determined at this time (except for items already recognized as asset retirement obligations), a contingent liability exists.

Due to the size, complexity and nature of Manitoba Hydro's operations, various legal and operational matters are pending. It is not possible at this time to predict with any certainty the outcome of these matters. Management believes that any settlements related to these matters will not have an adverse effect on Manitoba Hydro's consolidated financial position or results of operations.

Manitoba Hydro provides guarantees to counterparties as part of its use of natural gas derivative commodity contracts. Guarantees issued at March 31, 2015 totaled $361 million (2014 - $311 million) and do not have specific maturity dates. Letters of credit in the amount of $67 million (2014 - $7 million) have been issued for energy related transactions with maturities until 2016.

NOTE 24 AFFORDABLE ENERGY FUND

In accordance with the provisions of The Winter Heating Cost Control Act, Manitoba Hydro established an Affordable Energy Fund (the Fund) in the initial amount of $35 million for the purpose of providing support for programs and services that:

(a) encourage energy efficiency and conservation;
(b) encourage the use of alternative energy sources, including earth energy; and
(c) facilitate research and development of alternative energy services and innovative energy technologies.

For accounting purposes, the Fund is classified as other long-term assets (Note 15) with an offsetting balance in other long-term liabilities (Note 18). Expenditures of $5 million (2014 - $4 million) during the year were charged to operations with the asset and liability accounts reduced accordingly. As at March 31, 2015, the balance remaining in the Fund amounted to $6 million (2014 - $11 million).

NOTE 25 NON-CONTROLLING INTEREST

	2015	2014
	millions of dollars	
Wuskwatim Power Limited Partnership		
Taskinigahp Power Corporation	62	73
Keeyask Hydropower Limited Partnership		
Cree Nation Partners Limited Partnership	34	-
Fox Lake Cree Nation Keeyask Investments Inc.	12	-
York Factory First Nation Limited Partnership	12	-
	58	-
	120	73

Manitoba Hydro has entered into a partnership agreement with Taskinigahp Power Corporation (TPC) to carry on the business of developing, owning and operating the Wuskwatim Generating Station. TPC is owned beneficially by Nisichawayasihk Cree Nation (NCN). The generating station and associated transmission was placed into service during the 2012-13 year.

The 33% ownership interest of TPC in the WPLP of $62 million (2014 - $73 million) is represented as a non-controlling interest within the equity section of the consolidated balance sheet. TPC's portion of the net loss of the WPLP during 2014-15 is $11 million (2014 - $22 million) and is recorded as non-controlling interest in the consolidated statement of income.

In accordance with the partnership agreements, Manitoba Hydro provides debt financing to TPC. As at March 31, 2015, Manitoba Hydro has provided advances to TPC of $88 million (2014 - $92 million). The advances plus interest are repayable by TPC through distributions from the WPLP.

Manitoba Hydro has also entered into a partnership agreement with Tataskweyak Cree Nation (TCN) and War Lake First Nation (War Lake) operating as Cree Nation Partners (CNP), York Factory First Nation (York Factory) and Fox Lake Cree Nation (Fox Lake) to carry on the business of developing, owning and operating the Keeyask Generating Station. Cree Nation Partners Limited Partnership (CNPLP) is owned beneficially by TCN and War Lake through CNP, FLCN Keeyask Investments Inc. (FLCNKII) is owned beneficially by Fox Lake and York Factory First Nation Limited Partnership (YFFNLP) is owned beneficially by York Factory. The generating station is currently under construction and projected to be placed in service in 2019.

The 15% ownership interest of CNPLP, the 5% ownership interest of FLCNKII and the 5% ownership interest of YFFNLP in the Keeyask Hydropower Limited Partnership (KHLP) totaling $58 million (2014 - nil) is represented as a non-controlling interest within the equity section of the consolidated balance sheet.

In accordance with the partnership agreements, Manitoba Hydro provides debt financing to CNPLP, FLCNKII and YFFNLP. As at March 31, 2015, Manitoba Hydro has provided advances to CNPLP of $33 million (2014 - nil), FLCNKII of $11 million (2014 - nil) and YFFNLP of $11 million (2014 - nil). The advances plus interest are repayable by CNPLP, FLCNKII and YFFNLP through distributions from the KHLP.

NOTE 26 SEGMENTED INFORMATION

The corporation operates primarily in two business segments: electricity and gas. Each segment has its own particular economic characteristics and differs in nature, production processes and technology. The electricity segment encompasses the generation, transmission and distribution of electricity as well as subsidiaries providing related energy services. The gas segment represents natural gas supply and distribution activities through the operations of Centra. The corporate segment represents the costs to acquire Centra and to integrate its operations into those of Manitoba Hydro. These costs are allocated to gas and electricity segments in accordance with the synergies and benefits derived by each of these segments as a result of the acquisition.

The following table contains information related to the operating results, assets, liabilities, contributions in aid of construction and retained earnings by segment:

	Electricity		Gas		Corporate		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	millions of dollars							
Revenues [1]	1,892	1,897	154	163	-	-	2,046	2,060
Expenses								
Operating and administrative	492	491	67	67	-	-	559	558
Finance expense	492	435	16	16	19	19	527	470
Depreciation and amortization	405	412	29	28	2	2	436	442
Water rentals and assessments	125	125	-	-	-	-	125	125
Fuel and power purchased	145	160	-	-	-	-	145	160
Capital and other taxes	100	97	20	20	-	-	120	117
Other expenses	31	36	-	-	-	-	31	36
Corporate allocation	9	9	12	12	(21)	(21)	-	-
	1,799	1,765	144	143	-	-	1,943	1,908
Net income before non-controlling interest	93	132	10	20	-	-	103	152
Net loss attributable to non-controlling interest	11	22	-	-	-	-	11	22
Net income	104	154	10	20	-	-	114	174
Total assets	16,905	14,950	689	689	-	-	17,594	15,639
Total liabilities	13,910	11,909	454	464	-	-	14,364	12,373
Contributions in aid of construction	399	339	42	42	-	-	441	381
Retained earnings	2,758	2,654	72	62	-	-	2,830	2,716

[1] Revenues are stated net of cost of gas sold of $274 million (2014 - $252 million).

NOTE 27 COMPARATIVE FIGURES

Where appropriate, comparative figures for 2014 have been reclassified in order to conform to the presentation adopted in 2015.

FINANCIAL STATISTICS

For the year ended March 31	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
					dollars are in millions					
Revenues										
Electrical:										
Residential	602	606	563	492	503	476	461	436	410	387
General service	822	799	778	701	697	669	664	638	614	597
Extraprovincial	400	422	335	347	382	410	611	619	585	625
Other revenue	68	70	69	45	41	27	34	23	16	17
Gas										
Residential	213	208	174	172	205	222	297	268	258	245
Commercial / Industrial	209	201	149	161	193	225	281	254	244	287
Transportation	4	4	5	5	5	5	5	4	4	3
Other revenue	2	2	1	1	1	2	2	2	2	1
	2,320	2,312	2,074	1,954	2,027	2,036	2,354	2,244	2,133	2,316
Expenses										
Operating and administrative	559	558	533	481	463	440	429	381	361	368
Finance expense	527	470	489	429	425	410	471	440	506	505
Depreciation and amortization	436	442	423	381	393	384	368	349	332	322
Water rentals and assessments	125	125	118	119	120	121	123	124	132	131
Fuel and power purchased	145	160	115	130	90	87	166	128	219	118
Capital and other taxes	130	117	105	103	102	99	87	80	77	77
Cost of gas sold	274	252	182	197	261	316	433	386	379	197
Other expenses	31	36	30	19	23	16	11	10	5	7
	2,227	2,160	1,995	1,861	1,877	1,873	2,088	1,898	2,011	1,825
Net income before non-controlling interest	103	152	79	61	150	163	266	346	122	491
Net loss attributable to non-controlling interest	11	22	13	–	–	–	–	–	–	–
Net Income	114	174	92	61	150	163	266	346	122	491
Assets										
Property, plant and equipment	17,701	16,190	15,793	13,631	12,967	12,688	12,300	11,884	11,424	11,055
Less: Accumulated depreciation	5,756	5,506	5,252	4,984	4,752	4,612	4,356	4,187	3,924	3,657
Construction in progress	3,305	2,943	1,967	3,150	2,739	2,052	1,438	1,238	678	602
Sinking fund investments	114	111	352	172	282	822	666	718	630	556
Current and other assets	2,230	1,901	1,682	1,622	1,646	1,487	1,499	1,333	1,914	1,917
	17,594	15,639	14,542	13,791	12,882	12,437	11,547	11,766	10,972	10,482
Liabilities and Equity										
Long-term debt	12,303	10,460	9,329	9,101	8,617	8,228	7,668	7,218	6,822	7,051
Current and other liabilities	2,061	1,913	1,937	1,495	1,327	1,328	1,637	2,097	2,380	1,849
Contributions in aid of construction	441	385	340	319	295	295	296	300	298	297
Non-controlling interest	120	73	95	100	87	62	19	24	15	–
Retained earnings	2,830	2,716	2,542	2,450	2,389	2,239	2,076	1,672	1,407	1,285
Accumulated other comprehensive income (loss)	(161)	96	299	327	167	285	(150)	505	–	–
	17,594	15,639	14,542	13,791	12,882	12,437	11,547	11,766	10,972	10,482
Cash Flows										
Operating activities	651	691	989	667	595	589	688	633	443	710
Financing activities	1,674	1,125	636	725	674	1,124	424	487	227	77
Investing activities	1,973	1,706	1,242	1,312	1,371	1,638	1,086	965	786	677
Financial Indicators										
Equity ratio[1]	21%	24%	29%	29%	27%	27%	23%	27%	20%	19%
Interest coverage[2]	1.17	1.28	1.15	1.10	1.07	1.12	1.49	1.69	1.23	1.77
Capital coverage[3]	1.10	1.35	1.26	1.13	1.25	1.14	1.77	1.62	1.10	2.26

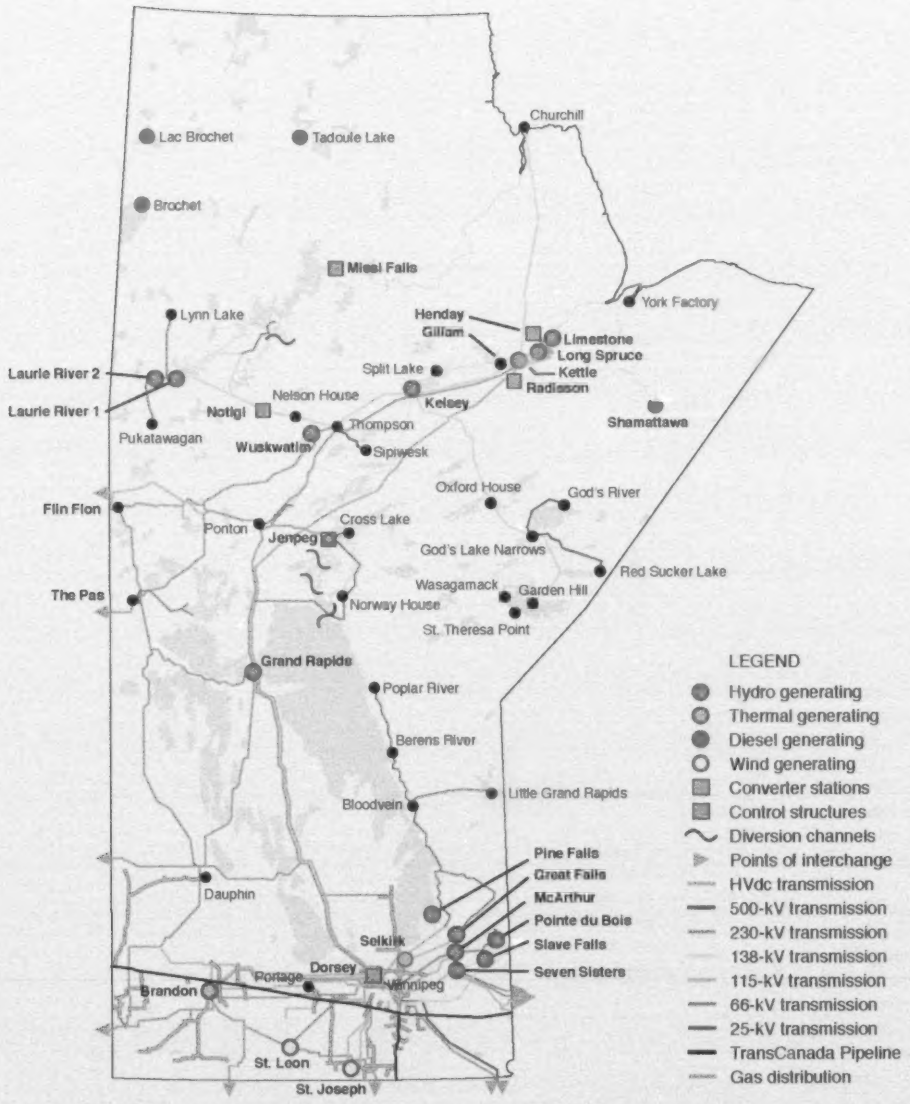
[1] Equity ratio represents equity (retained earnings plus accumulated other comprehensive income plus contributions in aid of construction plus non-controlling interest) divided by equity plus debt (long-term debt plus notes payable minus sinking fund investments and temporary investments).

[2] Interest coverage represents net income plus interest on debt, divided by interest on debt.

[3] Capital coverage represents internally generated funds divided by capital construction expenditures.

For the year ended March 31	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Electric System Capability										
Capability (000 kW)	5,691	5,715	5,675	5,475	5,489	5,501	5,480	5,465	5,461	5,469
Manitoba firm peak demand (000 kW)	4,688	4,720	4,535	4,343	4,761	4,359	4,477	4,273	4,184	4,054
Per cent change	(0.7)	4.1	4.4	1.9	(2.2)	(2.6)	4.8	2.1	3.2	(2.8)
Electric System Supply										
Total energy supplied (millions of kWh)										
Generation	35,044	35,392	33,230	33,236	34,102	33,961	34,528	35,354	32,132	37,620
Isolated systems	15	14	14	14	13	13	13	12	12	12
	35,059	35,406	33,244	33,249	34,115	33,974	34,541	35,366	32,144	37,632
Electric Load at Generation (millions of kWh)										
Integrated system	25,399	25,510	24,650	23,439	23,783	23,295	24,285	23,985	23,327	22,622
Isolated system	15	14	14	14	13	13	13	12	12	12
	25,414	25,524	24,664	23,453	23,796	23,308	24,298	23,997	23,339	22,634
Per cent change	(0.4)	3.5	4.9	(1.2)	2.1	(4.1)	1.3	2.8	3.1	0.8
Electric System Deliveries (millions of kWh)										
Energy delivered in Manitoba										
Residential	7,788	7,888	7,384	6,930	7,060	6,899	6,954	6,838	6,539	6,266
General service	14,670	14,450	14,143	13,840	13,727	13,587	14,256	14,223	13,965	13,669
	22,458	22,338	21,477	20,770	20,787	20,486	21,210	21,061	20,504	19,935
Extraprovincial	9,811	10,537	9,087	10,244	10,344	10,860	10,122	11,086	10,100	13,773
	32,269	32,875	30,564	31,014	31,131	31,346	31,332	32,147	30,604	33,708
Gas Deliveries (millions of cubic metres)										
Residential	597	664	602	609	591	581	606	682	651	600
Commercial / Industrial	870	964	849	728	821	803	866	856	811	782
Transportation	604	652	598	629	584	619	603	618	592	598
	2,071	2,280	2,049	1,966	1,996	2,003	2,165	2,156	2,056	1,980
Number of Customers										
Electric:										
Residential	492,275	486,654	480,254	474,661	469,635	465,055	460,804	455,430	450,823	446,370
General service	69,594	69,106	68,520	68,020	67,664	67,304	66,668	66,169	66,038	63,421
	561,869	555,760	548,774	542,681	537,299	532,359	527,472	521,599	516,861	509,791
Gas:										
Residential	249,313	247,019	244,768	242,813	241,123	239,535	239,597	237,724	236,086	234,108
Commercial / Industrial	25,504	25,218	25,018	24,886	24,838	24,766	23,411	23,435	23,483	23,709
	274,817	272,228	269,786	267,699	265,961	264,301	263,008	261,159	259,569	257,817
Full Time Equivalents (FTE)[1]	6,483	6,556	6,463	6,413	6,394	6,236	6,080	5,841	5,773	5,746

[1] Regular FTEs (the straight time hours of work for one employee) for Manitoba Hydro, including subsidiaries.


Churchill
Lac Brochet
Tadoule Lake
Brochet
Missi Falls
York Factory
Lynn Lake
Henday
Gillam
Limestone
Long Spruce
Kettle
Radisson
Split Lake
Laurie River 2
Laurie River 1
Nelson House
Kelsey
Notigi
Thompson
Shamattawa
Pukatawagan
Wuskwatim
Sipiwesk
Oxford House
God's River
Flin Flon
Ponton
Cross Lake
Jenpeg
God's Lake Narrows
Red Sucker Lake
The Pas
Wasagamack
Garden Hill
Norway House
St. Theresa Point
Grand Rapids
Poplar River
Berens River
Bloodvein
Little Grand Rapids
Pine Falls
Great Falls
McArthur
Pointe du Bois
Slave Falls
Seven Sisters
Dauphin
Selkirk
Dorsey
Portage
Winnipeg
Brandon
St. Leon
St. Joseph
LEGEND
Hydro generating
Thermal generating
Diesel generating
Wind generating
Converter stations
Control structures
Diversion channels
Points of interchange
HVdc transmission
500-kV transmission
230-kV transmission
138-kV transmission
115-kV transmission
66-kV transmission
25-kV transmission
TransCanada Pipeline
Gas distribution

SOURCES OF ELECTRICAL ENERGY GENERATED AND PURCHASED

For the Year Ended March 31, 2015

Nelson River	75.65 %	Saskatchewan River	6.45 %	Thermal	0.19 %
Billion kWh generated	27.4	Billion kWh generated	2.3	Billion kWh generated	0.1
Limestone	24.89 %	Grand Rapids	6.45 %	Brandon	0.17 %
Kettle	23.66 %			Selkirk	0.02 %
Long Spruce	19.90 %	Laurie River	0.16 %		
Kelsey	5.84 %	Billion kWh generated	0.1	Purchases (excl. wind)	0.60 %
Jenpeg	1.37 %	Laurie River 1	0.07 %	Billion kWh purchased	0.2
		Laurie River 2	0.08 %		
Winnipeg River	10.47 %			Wind	2.69 %
Billion kWh generated	3.8	Burntwood River	3.79 %	Billion kWh purchased	1.0
Seven Sisters	3.11 %	Billion kWh generated	1.4		
Great Falls	2.58 %	Wuskwatim	3.79 %		
Pine Falls	1.66 %				
Pointe du Bois	0.84 %				
Slave Falls	1.27 %				
McArthur	1.00 %				

MANITOBA HYDRO GENERATING STATIONS AND CAPABILITIES

For the Year Ended March 31, 2015

Interconnected Capabilities Station	Location	Number of units	Net Capability (MW)
Hydraulic			
Great Falls	Winnipeg River	6	129
Seven Sisters	Winnipeg River	6	165
Pine Falls	Winnipeg River	6	87
McArthur	Winnipeg River	8	56
Pointe du Bois	Winnipeg River	16	75
Slave Falls	Winnipeg River	8	68
Grand Rapids	Saskatchewan River	4	479
Kelsey	Nelson River	7	287
Kettle	Nelson River	12	1,220
Jenpeg	Nelson River	6	122
Long Spruce	Nelson River	10	980
Limestone	Nelson River	10	1,350
Laurie River (2)	Laurie River	3	10
Wuskwatim	Burntwood River	3	211
Thermal			
Brandon		3	327
Selkirk		2	125
Isolated Capabilities			
Diesel			
Brochet			3
Lac Brochet			2
Shamattawa			3
Tadoule Lake			2
Total Generating Capability			5,701

Manitoba Hydro

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